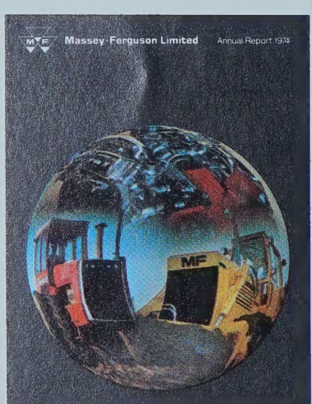
Massey-Ferguson Limited

Annual Report 1974

Contents



Massey-Ferguson Limited is among the world's largest manufacturers of farm machinery, industrial and construction machinery and diesel engines.

Today, products bearing the Massey-Ferguson or Perkins names are made in 70 factories in 26 countries, half of which are developing nations. Of its products, 92 per cent are sold in 190 countries outside of Canada.

The Annual and Special General Meeting of Shareholders will be held in the Royal York Hotel, Toronto, at 12 noon, March 7, 1975

Le rapport du conseil aux actionnaires en français peut être obtenu sur demande en s'adressant au Secretaire de la compagnie.

Availability of the 10-K report. A copy of the company's 10-K report as filed with the United States Securities and Exchange Commission will be sent to shareholders upon written request to the company Secretary.

Massey-Ferguson Limited
Annual Report 1974

Financial Highlights

Operating Summary (Millions of U.S. Dollars)	1974	1973
Net sales	**$1,784.6**	$1,506.2
Net income	**68.4**	58.2
Financial Status (Millions of U.S. Dollars)		
Net current assets	**$501.4**	$438.7
Long-term debt	**342.2**	257.0
Capital and retained earnings	**523.6**	469.9
Per Common Share (U.S. Dollars)		
Net income	**$3.75**	$3.20
Dividends declared (Canadian Dollars)	**0.80**	0.50
Equity	**28.69**	25.77
Statistical Data (At year-end)		
Number of employees	**60,822**	51,267
Number of shareholders	**34,541**	34,041
Shareholdings (thousands of shares)		
Canadian	**15,806**	15,244
U.S.	**2,223**	2,773
Other	**219**	219
Total shares outstanding	**18,248**	18,236

Massey-Ferguson Limited

200 University Avenue, Toronto, Canada M5H 3E4

Directors

*Albert A. Thornbrough
President and Chief Executive Officer

*John A. McDougald
Chairman, Executive Committee

The Marquess of Abergavenny
Alex E. Barron
Henry Borden, Q.C.
Lord Crathorne

Charles L. Gundy
Gilbert W. Humphrey
John D. Leitch
*A. Bruce Matthews

*Maxwell C. G. Meighen
John E. Mitchell
Sir Montague Prichard
A. M. Runciman

John G. Staiger
*E. P. Taylor
*Colin W. Webster
The Duke of Wellington

**Member Executive Committee*

Corporate Management

A. A. Thornbrough
President and Chief Executive Officer

J. G. Staiger
Senior Vice President

J. E. Mitchell
Executive Vice President Americas

Sir Montague Prichard
Executive Vice President Engines

H. Vajk
Executive Vice President Asia/Africa/Australasia

P. J. Wright
Executive Vice President Europe

J. A. Belford
Vice President Personnel & Industrial Relations

P. N. Breyfogle
Vice President Corporate Operations

J. D. Goodson
Vice President Industrial & Construction Machinery

D. G. Kettering
Vice President Farm Machinery

R. W. Main
Vice President Administration

D. Barker
Treasurer

P. J. Dixon
Director Management Information Systems

W. A. Fredericks
Comptroller

R. W. Main
Secretary and Director Legal Services

W. A. Murray
Director Logistics

H. A. R. Powell
Assistant to the President

Other Officers of the company: W. H. Mason *and* G. F. Ryan, *Assistant Treasurers* R. D. Garland *and* J. P. McCarter, *Assistant Secretaries*

Operations Management

Americas—J. E. Mitchell, *Executive Vice President*

Director Finance, B. M. Brown
Director Special Operations, J. A. Engelbrecht
Director Special Projects, W. Reed-Lewis

Argentina—G. M. Yeatts, *General Manager*
Brazil—J. A. Engelbrecht, *General Manager*
Export Operations—C. R. Kalb, *General Manager*
Mexico—A. Baca, *General Manager*
North America—J. E. Mitchell, *General Manager*
Senior Director Finance, B. M. Brown
President MF Industries Ltd. (Canada), W. K. Mounfield

Asia/Africa/Australasia—H. Vajk, *Executive Vice President*

Director Special Operations, L. J. Boon
Director Business Development Asia/Pacific, H. P. Weber
Director Polish Project, R. Ramsay

Australia—E. K. Coghill, *General Manager*
Export Operations—W. A. Critchley, *General Manager*
South Africa—Dr. L. B. Knoll, *General Manager*

Europe—P. J. Wright, *Executive Vice President*

Director Regional Services, S. V. Bishop
Director Technical Operations—Tractors & Industrial, G. E. Smith
Director Technical Operations—Harvesting & Components, P. Tiberghien
Director Farm Machinery Marketing, R. M. Jennings
Director ICM Marketing Operations, H. A. L. Blogg
Director Parts Operations, A. Jebson

France—P. Poniatowski, *President of the Directoire*
Germany—Dr. U. Brinkmann, *Generaldirektor*
Italy—J. J. Campbell, *General Manager*
United Kingdom/European Export—J. D. Parsons, *Managing Director*

Engines Group—Sir Montague Prichard, *Executive Vice President*

Deputy Managing Director—Operations, V. A. Rice
Director Engineering, C. J. Hind
Director Sales & Market Development, R. C. Clarke
Director Associate & Licensee Development, F. N. Wilkinson

Brazil—D. S. Bigelow, *General Manager*

Report of the Directors to the Shareholders

For the year ended October 31, 1974

The major challenge which the company faced in 1974 was to bring production up to the level of market demand in the face of widespread shortages of materials and components. Some gains in physical output were achieved for large tractors and combines, for construction machinery and for engines, but total output fell short of requirements in spite of actions taken to increase productive capacity.

Against this frustrating background of shortages, the company was able to achieve another year of record sales and earnings. Consolidated net sales of $1,784.6 million were 18.5 per cent greater than the previous year and net income of $68.4 million was ahead by 17.5 per cent. Net income per share was $3.75 compared to $3.20 in 1973.

Sales increases of 19 per cent for farm machinery; 10 per cent for industrial and construction machinery; 18 per cent for engines; and 23 per cent for parts, were achieved in 1974. Details of sales and the outlook by major product lines are recorded elsewhere in this Report under appropriate headings. A separate section on 'Market Opportunities for MF Products' describes the outlook in important growth areas of the world.

Cost of goods sold at 77.5 per cent of sales was unchanged from 1973 in spite of supply disruptions, the highly inflationary environment and the adverse impact of rigid price control policies in some countries. These factors offset completely the improvement in cost of sales which would otherwise have arisen from the increased sales volume.

Total expenses as a percentage of sales were at the same level in 1974 as in 1973. Exceptions were engineering and product development expenses which reflected an increasing level of new product programs, and interest charges which were significantly affected by rapidly rising rates and a high level of work-in-process inventory caused by supply shortages.

As a result of abnormal circumstances prevailing in world currency markets, the translation of foreign currency financial statements into U.S. dollars produced a gain of $7.6 million in 1973, which was deferred in the consolidated accounts, and a loss of $6.6 million in 1974, which was charged to the deferral account. Realized exchange gains of $0.6 million in 1974 and losses of $1.6 million in 1973 have been reflected in consolidated income.

Capital expenditures, the largest in the company's history, amounted to $110.2 million in 1974. The major portion was for new products, for increased capacity and for fixed assets added through acquisitions.

Associate Companies and Special Operations

Associate companies, in which Massey-Ferguson owns a minority interest, experienced a high rate of growth with sales of $335 million compared to $261 million in 1973. These sales are not included in the company's consolidated results. The largest of these Associates, Motor Iberica S.A. of Spain, reported sales of $228.8 million. Motor Iberica has under way programs to expand its production to supply tractors, engines and major components to Massey-Ferguson. These programs will enable production rates to be doubled to 30,000 tractors and 100,000 diesel engines annually in the medium term.

Our Associate in Mexico, Massey-Ferguson de Mexico S.A., reported sales of $23.9 million, a significant increase over 1973. Government farm credit programs have resulted in a marked pickup in demand for farm machinery.

Discussions with a Polish foreign trade enterprise culminated in the completion of industrial cooperation agreements of considerable magnitude and significance. Under these agreements, Massey-Ferguson will participate in the modernization and expansion of the Polish tractor industry which will manufacture Massey-Ferguson tractors and Perkins engines under licence.

Industrial Relations

Although the labour relations environment in most parts of the world in 1974 was marked by social and industrial unrest, the company completed labour agreements at all of its locations with comparatively few production disruptions.

In the United Kingdom, a strike in the coal industry at the end of 1973 resulted in a nation-wide mandatory three-day work week which lasted for more than two months. The subsequent impact on national production, together with labour disruptions at many of our suppliers' plants, limited the company's production in the United Kingdom.

Sales	**1974** (Millions of U.S. Dollars)	1973	% Increase
Farm Machinery	**$1,109.1**	$ 930.2	19.2
Industrial & Construction Machinery	**198.6**	181.1	9.7
Engines	**158.2**	133.7	18.3
Parts	**274.6**	224.1	22.5
Recreation Products	**23.3**	21.0	11.0
Other Products	**20.8**	16.1	29.2
Net Sales	**$1,784.6**	$1,506.2	18.5

At all Massey-Ferguson and Perkins factories in the United Kingdom, agreements were completed within government wage control limits.

In North America, agreements for a three-year term were negotiated without interruption of production except for a legal two and one-half day stoppage in Canada.

In Germany, negotiations for the renewal of the industry-wide agreement began in November 1974, and in Italy a two-year contract was completed in December.

In other countries where the company has manufacturing operations, agreements were completed during 1974 without work stoppages.

Board and Senior Management Changes

At a meeting of the Directors on January 7, 1975, A. M. Runciman was appointed a director replacing R. W. Main. Mr. Runciman is President of United Grain Growers Ltd. of Winnipeg, Manitoba, and has extensive interests in agriculture in Western Canada.

Lord Crathorne, who has served as a director since 1961, has indicated his wish to retire at the Annual Meeting. The Directors acknowledge with warm appreciation the valuable contribution of Lord Crathorne's knowledge of United Kingdom affairs and experience in international activities.

To fill the vacancy, Trumbull Warren has agreed to stand for nomination as a director at the forthcoming meeting of shareholders. Mr. Warren is President of Rheem Canada Ltd., Hamilton, Ontario, and is President of the Royal Winter Fair.

The present management structure which was described in the 1972 Annual Report has served the company well during the past two years. Changes in senior management in 1974 were few in number. D. G. Kettering, formerly Senior Director Operations North America, was appointed Vice President Farm Machinery following the resignation of R. D. Bibow. R. W. MacLaren resigned as Director Public Relations.

Outlook for 1975

The current economic recession, now world-wide in scope, is having a negative effect on many sectors of industry. The world's monetary and financial imbalances have not been resolved as yet and supply difficulties, although diminishing, will continue to be a problem in 1975. Despite these factors, the outlook for Massey-Ferguson is for continued growth.

The world-wide shortage of food and the generally buoyant farm cash income in 1974 support a forecast of a continuing high level of demand for farm machinery. In North America, rapid growth continues for the larger horsepower, high-capacity machines, while in the developing countries the demand is unabated for machines of lesser horsepower for which Massey-Ferguson has earned world-wide farmer acceptance.

Although the industry outlook for industrial and construction machinery is generally not buoyant, further growth in Massey-Ferguson's sales of larger machines is assured with the broadened product line available to the company's world-wide distribution system as the result of the acquisition of Hanomag.

There is a large backlog of orders for diesel engines and demand is expected to grow rapidly during the next ten years in response to the high cost of fuel and the impact of environmental legislation.

To support the company's unique opportunities in its three major product groups, the Directors have approved for 1975 a record capital expenditure plan of $160 million, following record expenditures in 1973 and 1974. The 1975 plan will permit the timely introduction of new products and the continuing expansion of productive capacity.

Financing

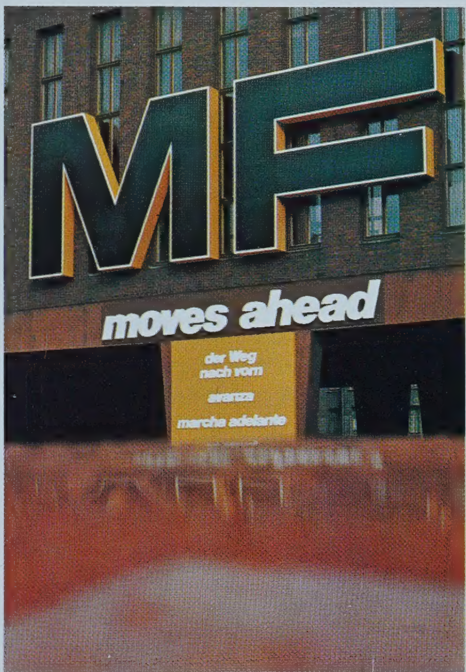
The company has reached a stage where additional capital is required to support future growth through acquisitions such as Hanomag, and to provide for expansion of production facilities. A by-law to increase the authorized capital by the creation of $100 million par value preferred shares was passed by the Directors on January 7, 1975. In the opinion of the Directors, this method of providing additional capital is preferable to issuing common shares at the significant discount from book value which current market conditions would require.

Shareholders will be asked at a meeting to be held on March 7, 1975 to sanction the by-law authorizing the creation of the preferred shares. Upon sanction of the by-law, an offering of some of the new preferred shares may be made before mid-1975.

To all employees, distributors and dealers, and to our Associates, we extend appreciation for outstanding efforts which achieved for Massey-Ferguson a record year in 1974.

Albert A. Thornbrough

Albert A. Thornbrough
President and Chief Executive Officer
Toronto, January 31, 1975



The acquisition of Hanomag, the Hanover, West Germany, based division of Rheinstahl A.G., has placed Massey-Ferguson among the leading producers of construction machinery. The effect on MF's range of products, in quality and number, is to move the company ahead three to four years in development of heavy construction machinery. The Hanomag facilities, located on 109 acres, include an area of 3 million square feet under roof which increase MF's total industrial and construction machinery manufacturing floor space by 170 per cent. Production at Hanover is expected to exceed 2,000 units in 1975.

Farm Machinery

1974

Demand again exceeded the productive capacity of farm machinery manufacturers as supply and material shortages continued throughout 1974 to hamper efforts to increase output. As a result distributor and dealer inventories are at an all-time low.

Massey-Ferguson's farm machinery sales increased more than 19 per cent in 1974, following the 28 per cent increase of the previous year.

The problems of inflation inevitably influenced our world-wide farm machinery manufacturing and marketing operations. As costs of supplies, materials and labour increased, frequent price adjustments were necessary.

Throughout 1974, every effort was made to maintain flow of parts and supplies in order to achieve maximum possible utilization of production facilities. At the same time, projects to permit expansion of production were undertaken.

The Americas

North America

Although production in some areas and for some crops declined from 1973 levels due to heavy spring rains, summer droughts and early frost, high farm commodity prices kept farm incomes at high levels.

Industry retail sales of farm machinery in 1974 were limited by production capability. Dealer inventories carried over from 1973, already at low levels, were reduced further in 1974.

In North America, Massey-Ferguson's settlement sales of farm machinery rose 17 per cent. In common with the industry, sales were entirely limited by availability.

Expansion and improvement of production facilities were undertaken in Canada at Brantford; and in the United States at Des Moines and Detroit, and by Badger-Northland Inc.

At Brantford, the foundry is being expanded by 33,000 square feet, raising grey iron casting capacity from 44,000 tons to 54,000 tons a year. An implement factory of 156,000 square feet and a machine shop of 134,000 square feet are under construction. These will increase production capabilities by 15 per cent for combines and 100 per cent for large implements.

To increase further the supply of nodular and grey iron castings, Kanmet Ltd., a foundry near Brantford, was purchased. Expansion is under way to increase its capacity by 50 per cent.

At Des Moines, additional fabricating equipment will double the capacity to produce four-wheel-drive tractors. The four-wheel-drive machine is considered the fastest-growing segment of the North American tractor market. Transferring production to Des Moines makes space available at Detroit for increased production of large two-wheel-drive tractors in the 90 to 140 horsepower range. The Detroit Tractor plant capacity has been increased further through the addition of machine tools at the Transmission and Axle plant.

The full effects of these expansions in Canada and the United States should begin to be realized during 1975.

Introduction of a new "200" series of lower horsepower tractors is planned for 1975. This product line replaces and extends the range of tractors falling within the 40 to 80 horsepower category. A new large baler producing a 1,500 pound round bale will be introduced in 1975.

Argentina

Sales in 1974 rose by $28.8 million, or almost 100 per cent, reflecting excellent agricultural conditions and increased penetration of the tractor market. Exports of tractors were significant in 1974.

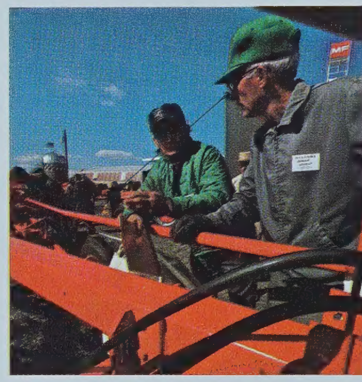
For 1975, agricultural activity is expected to grow by 6 to 7 per cent. Demand for tractors is expected to rise by 15 per cent. Two new tractors in higher horsepower ranges are being introduced by the Argentine company.

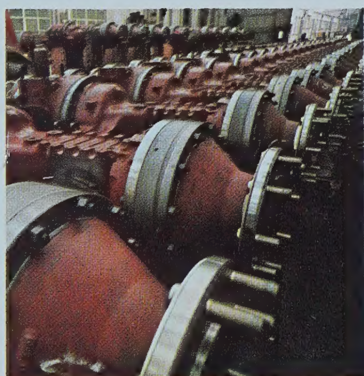
Brazil

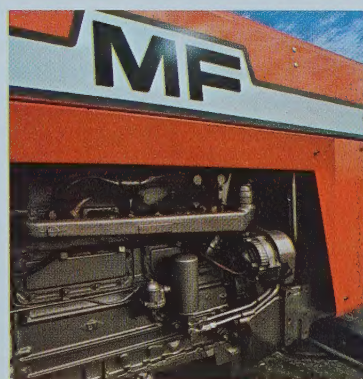
Continued government support of agriculture, resulting in a rapid rate of mechanization, lifted Massey-Ferguson sales of tractors by 25 per cent and combines by 40 per cent. Supply shortages in Brazil, however, especially of diesel engines, limited production.

At Canoas, the capacity to manufacture combine harvesters is being almost doubled. Expansion of the Sao Paulo factory and the move of industrial and construction machinery production from Sao Paulo to a new plant at Sorocaba will result in a doubling of tractor capacity. These expansions will permit introduction of higher horsepower tractors and higher capacity combines.

Massey-Ferguson produces one of the most extensive lines of products in the farm machinery industry. The company's world-wide sales, up 19 and 28 per cent respectively in the last two years to $1.1 billion in 1974, were restricted only by supply and material shortages. With little sign of demand abating through 1975, major expansion programs are under way to increase productive capacity and eliminate supply shortages at our production centres.







For 1975, government plans provide for a further 10 per cent growth in the agricultural sector. Demand for tractors and combines is expected to rise by as much as 20 per cent.

Mexico
Adverse weather hampered 1974 agricultural production, limiting the improvement to a modest 3 per cent. Government incentives to promote efficiency and improve farm production have encouraged expansion of the total agribusiness infrastructure. However, manufacturers will face difficulties in trying to meet a similar sudden increase in demand for farm machinery.

Latin American Export Markets
During 1974, sales in these markets were 28 per cent ahead of 1973, an indication of the company's competitive position. Based on the economic outlook for 1975, strong demand for agricultural machinery is expected.

Europe
Somewhat mixed patterns of farm commodity production prevailed in Europe in 1974. Despite adverse weather, cereal crops were generally good. Hay crops were poor in some areas, notably the U.K., and high prices of feed grains further adversely affected dairy and livestock sectors.

The European outlook for 1975 is difficult to analyze at this time. A major governing factor will be decisions taken on the pricing of farm products within the European Economic Community. Price increases for farm products were not considered sufficient in 1974 to cover higher farm operating costs.

United Kingdom
Sales were up 18 per cent from 1973 in spite of a major shortfall in tractor production resulting from supply shortages. The farm machinery product line was strengthened in 1974 by the introduction of a Canadian-made baler, a rotary mower, cutterbar mower, disc harrow and slurry tankers.

France
High costs reduced farm income, causing a downturn in the market for machinery. Our sales, however, were up 5 per cent. Two new models of combine harvesters were introduced to meet the requirements of medium size farms. Expansion of tractor manufacturing capacity is under way at Beauvais to meet the tractor requirements in other countries of Europe.

Germany
Although crop conditions were generally better, the market for farm machinery continued the decline started in 1973. Massey-Ferguson's sales were down 8 per cent.

Italy
Industry demand held at the 1973 level and Massey-Ferguson and Landini tractors retained market share. The combine harvester market improved and MF sales were up 25 per cent.

European Export Markets
In general, farm machinery sales in European Export territories remained at 1973 levels. Lack of availability kept 1974 tractor sales below 1973.

Asia/Africa/Australasia
Australia
Harvest conditions were good, with a record level of farm cash income. Massey-Ferguson's sales were up 31 per cent. Output of combine harvesters, sugar cane harvesters and implements was limited by labour and material shortages.

For 1975, the Australian farm machinery business should be excellent, provided that government pricing policies are adjusted to reflect cost inflation.

South Africa
There were excellent harvest conditions in 1974 and the maize crop was at a record level. The company's sales of farm machinery were up 49 per cent.

The outlook is excellent for tractors, and sales of balers and combines are expected to hold at 1974 levels. Greater market penetration is expected for the imported higher horsepower tractors and we expect to have continued high market penetration for our locally produced maize harvester.

Other Territories
During 1974, there was buoyancy in the markets of the Asia/Africa/Australasia region which is expected to continue. Massey-Ferguson had significant developments in this region, and a status report on our activities begins on page 18.

The Future
The world demand for agricultural products is the basic reason for the current strong market for farm machinery. World food requirements are not being met and prices of agricultural products are expected to remain at comparatively high levels.

A major factor in the continuing high demand for farm machinery is related to the sharp increase in prices of oil and of such oil derivatives as fertilizers and chemicals. Developing countries which depend on importing these basic items must increasingly emphasize expansion of local food production to minimize food imports and possibly to provide a surplus for exports. Developed nations also need food exports to improve payments balances.

A more complete discussion of world agriculture begins on page 16.

The world-wide demand outlook for farm machinery is excellent through 1975. In the developed countries, the trend towards larger capacity tractors, combines and implements is expected to continue. In the developing countries, unfilled demand for the lower horsepower models, for which Massey-Ferguson has earned world-wide acceptance, shows no sign of abating.

Every indication is that Massey-Ferguson's market penetration will be limited only by capacity of production facilities. As material and supply constraints ease, projects begun in 1974 to improve capacity and eliminate bottlenecks and shortages will bring a steady build-up in production.

Industrial and Construction Machinery

Hanomag Acquisition

Massey-Ferguson in 1974 established itself as a major producer of construction machinery by the acquisition of the Hanomag construction machinery division of Rheinstahl A.G., West Germany.

Massey-Ferguson and Hanomag operations and products are complementary. The initial impact on our industrial and construction machinery business is to increase manufacturing floor space by 170 per cent and open up major opportunities to integrate manufacture and supply with established company sources. The effect on the range of products is to carry Massey-Ferguson ahead three to four years in development of heavy construction machinery.

Hanomag has been achieving over 50 per cent of its sales in the German construction machinery market and the position of leadership in that market will continue. The addition of this distribution capability in Germany to Massey-Ferguson's strong distribution in other world markets provides significant additional coverage for the combined product lines.

Sales Strong in 1974

1974 sales of machinery and parts were $240 million and represent an increase of 12 per cent over the record level of 1973. Total demand by dealers and distributors exceeded our ability to supply by at least 25 per cent. Demand was particularly strong in the first half of 1974. However, the drop in housing starts in the United States led to easing in demand in that market towards year end. Sales in Germany continued at the reduced levels of the past two years. The United Kingdom market softened during the year due to the adverse economic situation there. Healthy growth continued in most Latin American, Asian and African markets. As costs of supplies, materials and labour increased, frequent price adjustments were necessary.

Expanded Product Line

With the addition of Hanomag products, Massey-Ferguson's basic line of industrial and construction machinery is now one of the most complete in the industry. The variety of products offered is illustrated in silhouette form on the following page.

In addition to these products, the Hanomag line includes the following which now become available for distribution through Massey-Ferguson distributors and dealers: a rubber-tired dozer; a small wheel-loader; and a line of three large compactors for which there is an expanding market in the sanitary landfill approach to refuse disposal.

Finally, Hanomag's strong image in the marketplace for quality products, long machine life and engineering competence in combination with Massey-Ferguson's reputation, provide a basis for accelerated growth.

Outlook for 1975

The Americas

In the United States, housing starts are expected to begin a recovery from the reduced levels of 1974 but will probably remain below record 1973 levels. The Canadian market has been less subject to fluctuations but is not expected to improve significantly over the 1974 levels.

In Latin America, markets are improving. Modest growth is anticipated in most areas except Brazil which will continue to experience strong growth in construction activity.

Europe

In Europe, industrial and construction machinery markets will be below record levels of prior years. The economic downturn in the United Kingdom will continue and sales will stabilize during 1975. In Germany, reduced sales levels of recent years will continue and some decline in demand is anticipated in Italy. Governmental and market factors in the construction industry in other European countries indicate a continuation of previous sales levels. Massey-Ferguson expects its market penetration to improve in Europe during 1975.

Asia/Africa/Australasia

In Australia, government action to stimulate the economy should improve sales. In South Africa, machinery markets related to mining

and government activity are expected to be buoyant.

In some sections of Asia and Africa, the combined effect of population growth and oil revenues will result in a doubling of industrial and construction machinery sales in 1975.

Conexpo

In February, 1975, Conexpo, the world's largest trade show for the construction machinery industry, will be held in Chicago. Buyers representing governments and industry throughout the world will attend this show to examine the products of all manufacturers of construction machinery. Conexpo will provide an opportunity for the company to exhibit the strength and breadth of the combined Massey-Ferguson and Hanomag lines.

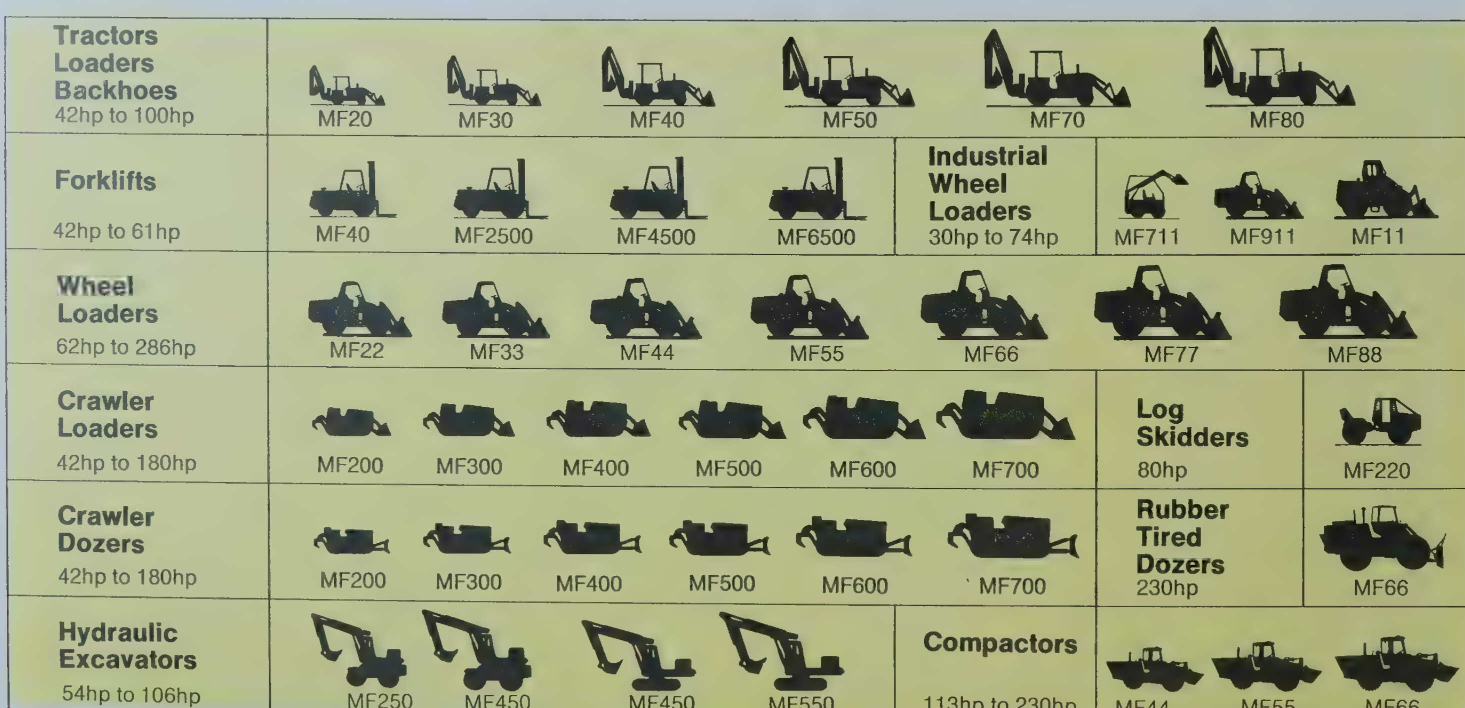
The Future

While the economic situation in the United States and much of Europe is expected to reduce demand in the short term, opportunities remain attractive in most other territories. The immediate outlook for our industrial and construction machinery is for a sustained high level of production to meet demand and replenish dealer and distributor stocks. The company's short-term goal is a sales level of $500 million in 1976, approximately double the 1974 volume.

Supporting the view that markets will expand in the longer term are several population-related factors. World population has doubled since 1930 and until recently the rate of growth has accelerated. Urban population has been growing at a much faster rate and in the past decade has increased by more than 40 per cent.

The importance to the industrial and construction machinery industry of this migration to the cities lies in the need to provide housing, water, sewers, electricity, roads, stores, schools and the many other essential facilities and services necessary to urban living.

The prospect of expanding markets underlies our decision to continue building production capacity and broadening the competitiveness of our product line.



Sales of industrial and construction machinery and parts totalled $240 million in 1974. The acquisition of the Hanomag production facilities and new products will enable MF to meet dealer demand which last year exceeded by 25 per cent our ability to supply. Despite moderate short-term demand in some areas, the company's goal is to double sales to $500 million in 1976.

Engines

The Diesel Market

Environmental legislation and the fuel crisis have provided new challenges and unprecedented opportunities for the diesel engine.

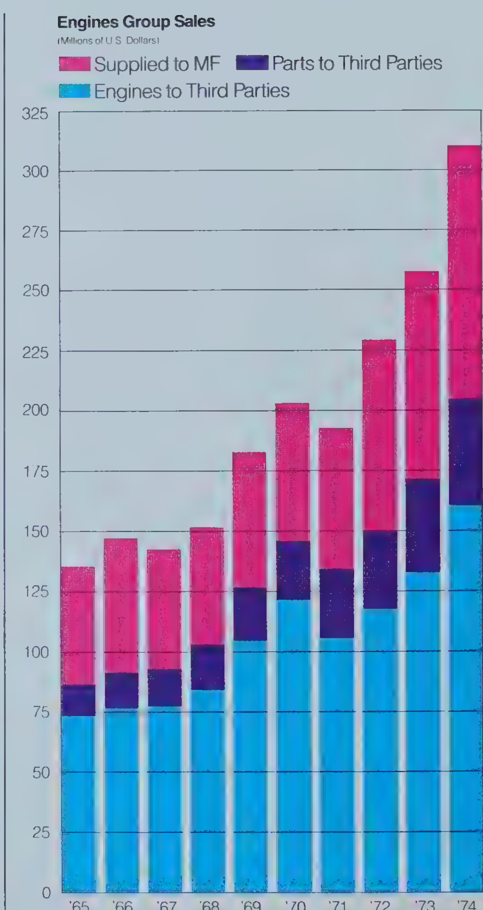
Its advantages over other types of engines in meeting the 1978 European emission legislation and the California Air Resources Board 1977 legislation have been consistently demonstrated. The ability to do so without sacrificing efficiency in converting fuel to motive power has made the diesel engine a more attractive source of power than the gasoline engine.

With fuel price rises of 50 per cent and more, and with little hope of a reversal of this trend, the ability of the diesel engine to provide up to 30 per cent more miles per gallon is of prime importance in commercial vehicle applications.

As a result, demand for diesel engines is expected to grow at a rate of 12 per cent annually as against our earlier forecasts of 4 to 5 per cent.

World-wide production of Perkins engines in 1974 was 446,000 units, an increase of 13 per cent over 1973. Of these, 232,000 were produced in the United Kingdom; 36,000 in Brazil; and 178,000 by Associates and Licensees.

Perkins exported 86 per cent of the U.K. production, 66 per cent directly and 20 per cent fitted in products of its customers. Brazil's production increased 13 per cent in 1974. A production increase of 32 per cent was achieved by Associates and Licensees, primarily in Spain and Japan.



Traditional gasoline markets, especially the United States and Canada, are experiencing a surge of interest in diesel power for smaller trucks and vans. Certain of the Perkins engines are particularly suited to smaller truck and van applications, and in North America this represents a potential market in excess of 2 million units annually.

The diesel engine industry has not been able to meet the growing requirements, currently 3.5 million units per year, and a world shortage of these engines is likely to continue. By 1980, Perkins and its Associates and Licensees have the challenge to increase their world-wide capacity for the production of diesel engines to more than one million units—750,000 to 800,000 coming from Perkins, and the remainder provided by its Associates and Licensees.

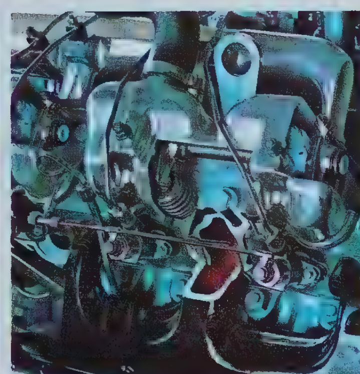
World-wide demand for diesel engines will rise to 10 million units annually by 1985 and the objective of Perkins, its Associates and Licensees is to achieve an annual production level of 2 million units.

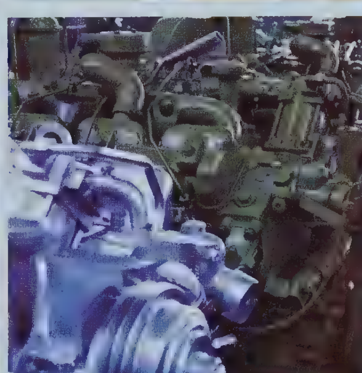
Production

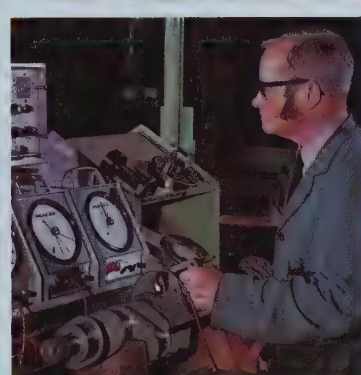
Production world-wide will be helped considerably by a major increase in machining, assembly and test capacity in Peterborough as well as by important projects outside the United Kingdom. During 1975, capital expenditure will amount to more than $52 million, of which $12 million is in Brazil, $15 million in Germany and $3 million in the United States. The remaining $22 million is for Peterborough. This compares to 1974 expenditures of $24 million.

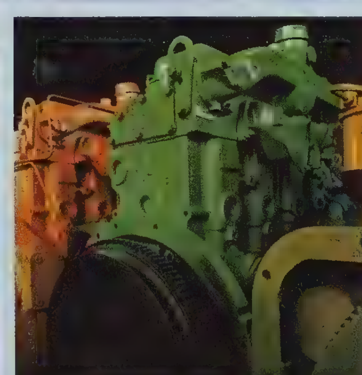
Expansion of production facilities at Peterborough started in 1974 will provide for a 20 per cent increase in engine capacity. Expansion projects in Brazil, including the acquisition of Progresso Metalfrit foundry, long-standing supplier to Motores Perkins, are planned to double the capacity of Motores Perkins in Sao Paulo. In the United States, Perkins will begin assembly in 1975 of engines for U.S.

Production of Perkins engines amounted to 446,000 units in 1974, an increase of 13 per cent over 1973. The demand for diesel engines is expected to grow rapidly during the next ten years in response to the high cost of fuel and the impact of environmental legislation. Perkins and its Associates and Licensees are aiming to increase capacity to more than one million units by 1980.









and Canadian customers, at an annual rate of 30,000 units, in a plant acquired in December in Wayne, Michigan. Plans are being developed to produce a totally new range of engines at Canton, Ohio, where Massey-Ferguson and the White Motor Corporation, in a joint venture, have a major engine facility.

In Germany, Perkins will occupy 250,000 square feet of the Hanomag plant at Hanover where assembly of a new four-cylinder engine of 165 cu. in. is scheduled to begin in mid-1975. The initial capacity of 20,000 units is capable of being increased to 40,000. In addition, cylinder block machining lines will be installed having an annual production rate of 76,000 units. This facility will draw not only on the traditional Perkins' supply and production structure but also upon our Spanish Associate, Motor Iberica, which will provide machined cylinder blocks and heads.

Several agreements have been completed with Associates and Licensees for the production of Perkins engines:

The Perkins Associate in Mexico has embarked on a major expansion project, including construction of a new, larger plant.

The existing Perkins licence agreement with Industrija Motora of Yugoslavia was renewed and extended during October. Under the agreement, engine production capacity will be increased from 35,000 to 60,000 units annually and during 1975 deliveries to Perkins at an annual rate of 10,000 units are to commence.

Final details are being worked out for a joint venture in Peru for a manufacturing facility of 10,000 engines annually from 1976. In South Korea the Hyundai Motor Company, a Licensee in Seoul, plans to produce up to 24,000 engines annually commencing in 1976. Under a licensing agreement with Perkins, Rio de la Plata of Montevideo, 5,000 engines annually are to be produced.

Under the agreement with the Polish Foreign Trade enterprise, Agromet Motoimport, the Ursus tractor company will build under licence 90,000 Perkins-designed diesel engines annually.

Other projects are at various stages of investigation or negotiation in Iran, Japan, Indonesia and elsewhere.

In Singapore, an Associate, Perkins Engines Eastern Limited, was formed. This is a joint venture with local interests to develop a distributor and dealer network for engine sales, parts and service.

Product Development

Perkins research and development programs are providing new products to meet market opportunities for diesel engines.

During the year, an agreement was concluded with Farymann Diesel of Lampartheim, Germany, whereby Perkins will market, in certain parts of the world, the Farymann range of engines extending from 5 to 25 hp. These engines, which will be sold under the Perkins name, are smaller than and complementary to the existing Perkins range.

During 1974, Perkins launched an industrial version of the four-cylinder, 154 cu. in. engine for such applications as wheeled front-end loaders, forklift trucks, other material handling equipment and utility vehicles, generating sets and air compressors. A marine version of this diesel engine was also launched for use in pleasure and commercial craft.

In 1975, two new engines will be introduced. A V 8 engine of 640 cu. in. will meet a requirement for a diesel truck engine of 210 to 290 hp. A four-cylinder, 165 cu. in. engine of 70 hp will give fuel consumption of 40 miles per gallon in light van applications.

Technology

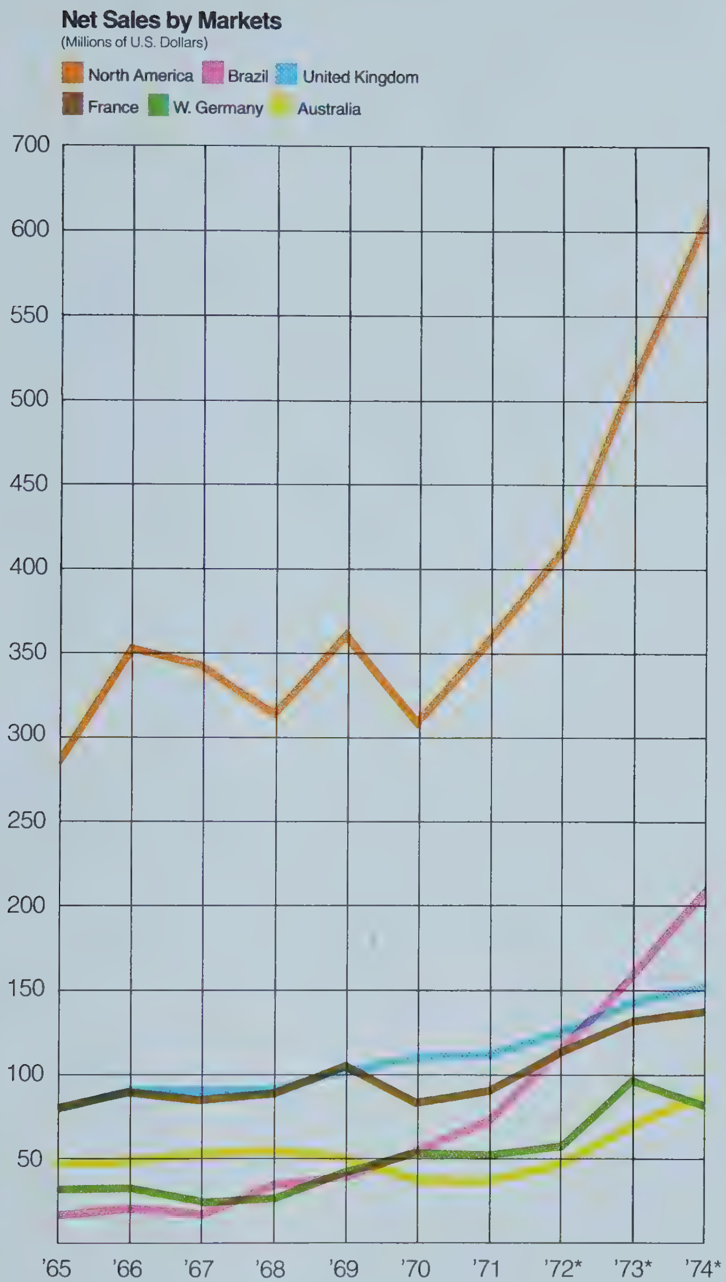
In 1974, a major technical breakthrough in diesel engineering was achieved with the Perkins 'Squish Lip' combustion system. The sound energy level of diesel engines will be reduced 50 per cent on average by this system which meets the most stringent gaseous emission legislation. With this development, Perkins becomes the first manufacturer in the world to announce the capability to meet the projected California Air Resources Board 1977 legislation with a naturally aspirated direct injection engine without the use of additional, expensive systems such as turbocharging.

The 'Squish Lip' system also has the advantage of being comparatively insensitive to fuel quality. This could be an important asset if the world fuel crisis results in a wider range of fuel quality.

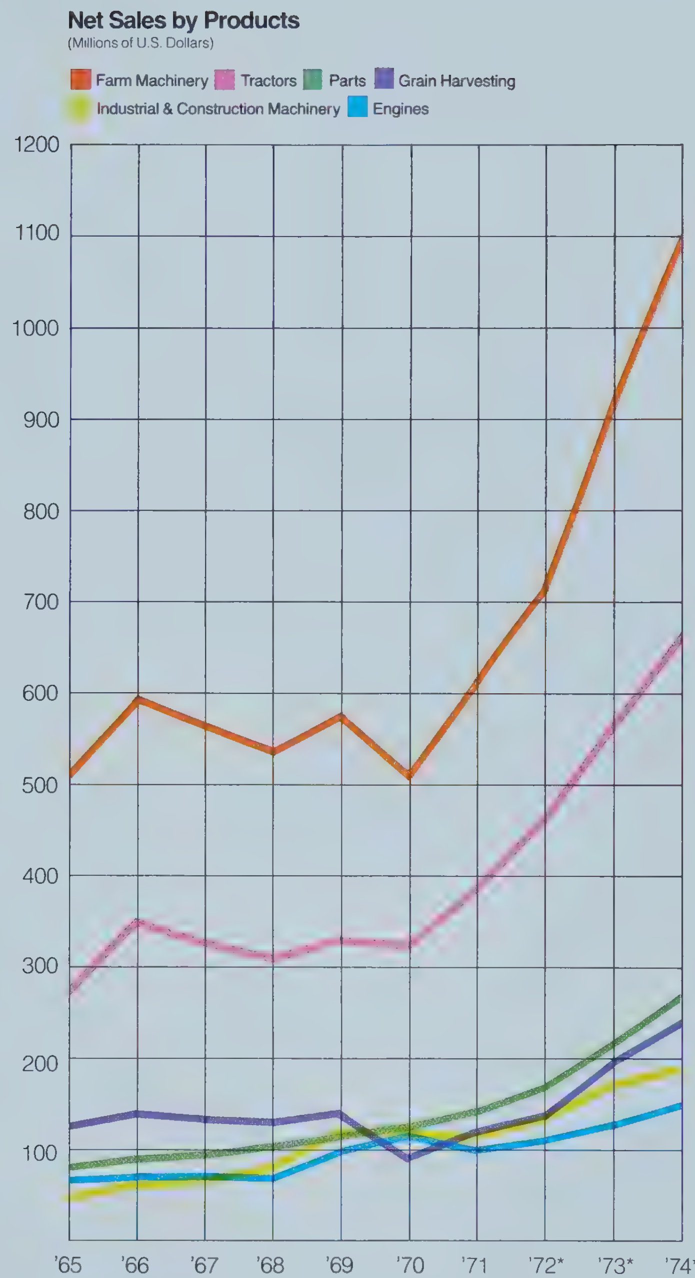
In the field of noise abatement, Perkins has succeeded in developing a new form of surface treatment involving the use of cladding and shielding to achieve quieter operation of the present range of engines. Significant noise reduction will be possible on direct injection engines by a combination of cladding, shielding and the 'Squish Lip' system.

To continue in the forefront of diesel engine technology, Perkins is currently spending $10 million a year on engineering, research and development.

Perkins expects to be in a position to take advantage of major growth opportunities for diesel engines over the next 10 years. This expectation is based on its aggressive programs for broader based production and stability of material and component supply, and on the development of new technology and new products.



*Settlement accounting; see page 25.



*Settlement accounting; see page 25.

Geographical Distribution of Assets Employed
(Millions of U.S. Dollars)

	1974*	1973*	1972*	1971	1970	1969	1968	1967	1966	1965
Europe	$ 688.6	537.2	408.1	382.1	405.1	403.3	342.7	326.8	320.9	300.6
North America	$ 589.4	487.7	472.0	487.1	471.3	474.9	426.6	427.5	355.9	297.0
Latin America	$ 221.1	133.5	86.3	64.4	60.5	61.3	43.5	45.4	43.1	29.1
Australasia	$ 74.1	55.7	44.3	46.1	45.5	47.9	39.9	40.9	41.6	39.9
Africa	$ 40.2	33.4	30.4	29.0	27.0	24.4	19.6	21.2	23.3	25.2
Asia	$ 0.6	1.5	1.3	2.3	2.3	2.1	2.1	2.0	2.0	2.0
Total	$1,614.0	1,249.0	1,042.4	1,011.0	1,011.7	1,013.9	874.4	863.8	786.8	693.8

*Settlement accounting; see page 25.

World Agriculture in Perspective

There is much evidence today of under-nutrition in many countries of Asia, Africa and Latin America. The problem is not only one of nutritional shortages on a world-wide basis but also one of assuring that food supplies are available in the areas where they are needed.

In the low income regions of the world, the pressure of the population explosion imposed upon inadequate systems of food distribution has created complex problems which are not susceptible to simplistic or political solutions. However, unless massive efforts are launched now to stretch the production of food and its supporting infrastructure to full capacity, the impact of food shortages on a major portion of the world's population will reach crisis proportions within a few years.

In the 1973 Annual Report we pointed out that although world agricultural production in 1973 established a new record, consumption was likely to be at a level which would preclude any build-up in reserve stocks. For 1974, however, we expected an increase in crop acreage which, given a bountiful harvest, would have permitted a partial replenishment of grain reserves. These forecasts were generally realized in most parts of the world, with some significant exceptions.

Throughout Europe, Australia and Latin America; and in much of Africa, the Middle East and Asia (excluding India and Bangladesh), production in 1974 is expected to equal or exceed the 1973 record.

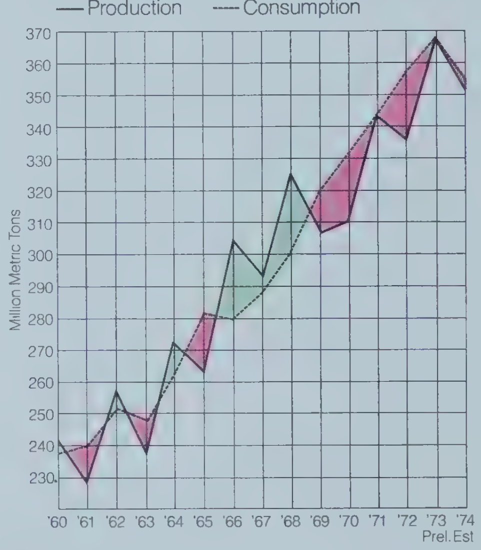
In the U.S.S.R. production returned to the normal growth trend, but the result was considerably below the record crop of 1973.

In the important grain producing areas of North America, India and Bangladesh, adverse weather conditions were experienced.

The net result is that world production in 1974 of wheat and feed grains will be well below the 1973 level.

In the crop year beginning July 1, 1974, world wheat production is currently estimated at 351.0 million metric tons or 4.3 per cent below 1973, and feed grains at 571.8 million metric tons or 4.7 per cent less than last year. This level of production is below estimated consumption in the 1973 crop year. Thus, even with an expected reduction of a further 10 million metric tons of carryover stocks, consumption in 1974 cannot be maintained at 1973 levels.

World Wheat Production and Consumption



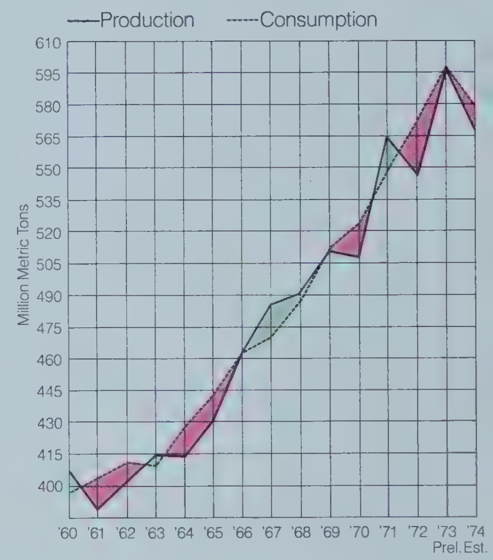
The facts of the current scarce supply situation are quite clear:

World consumption of wheat has equalled or exceeded production in each of the five years 1969 through 1973 and this rate of consumption cannot be maintained in 1974 by a further drawdown of stocks.

Similarly, world consumption of feed grains has exceeded production in all but one year since 1969 and this rate of consumption cannot be maintained from carryover stocks.

Under these conditions of supply, prices of all grains are now well above the very high levels of 1973 and farm cash income from grains has increased significantly. However, livestock prices have not risen proportionately to feed grains and other purchased inputs, and producers of livestock have not shared in the growth in farm cash income. Also, consumption of beef and other livestock products has declined as inflation has eroded the purchasing power of the consumer.

World Feed Grain Production and Consumption



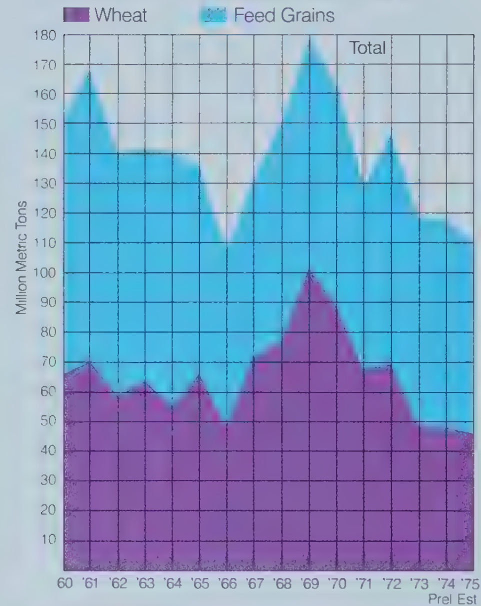
In view of the lower than expected production and the reduced carryover stocks, prices of food and feed grains should remain high, at least until the 1975 crop can be assessed. Farmers can be expected to respond to the current situation with an all-out effort to boost production of food and feed grains in 1975. Planted acreage is expected to equal or exceed 1974, but more importantly, given normal weather conditions, harvested acreage could increase well above the 1974 level.

Fertilizer, an important factor in grain yields, continues in tight supply and may well inhibit increases in yields of the 1975 crops. Based on preliminary estimates, the increase in the rate of production of fertilizer in 1974 equalled or exceeded the average

annual increase during the period 1968-73, but demand was such that both nitrogen and phosphate fertilizers were generally in extremely short supply. A further increase in fertilizer production is anticipated in 1975 and while supply is expected to improve in the United States and Canada, it is likely to fall short of demand in many areas of the world. It is apparent that the world's agricultural resources, as they are presently being applied, cannot support the level of food production to meet the requirements of an increasing population and an increasing level of protein in diets — unless the world is favoured with above-normal weather conditions.

Since weather remains an unpredictable factor, the longer term requirements for food can only be met by a continuing increase in all the resources that are needed to support the agricultural sector.

World Stocks of Wheat and Feed Grains



At year ending June 30

Trends in World Wheat Supply and Consumption

Million metric tons

Crop Year	Beginning Stocks	Production	Total Supply	Consumption	Consumption as % of Total Supply
1960	67.3	241.1	308.4	238.0	77.2
1961	70.4	227.0	297.4	238.9	80.3
1962	58.5	256.8	315.3	251.3	79.7
1963	64.0	237.4	301.4	246.0	81.6
1964	55.4	273.8	329.2	263.7	80.1
1965	65.5	263.4	328.9	282.2	85.8
1966	46.7	303.9	350.6	279.1	79.6
1967	71.5	293.4	364.9	288.3	79.0
1968	76.6	325.3	401.9	300.5	74.8
1969	101.4	306.4	407.8	319.1	78.2
1970	88.7	309.7	398.4	330.8	83.0
1971	67.6	342.5	410.1	341.2	83.2
1972	68.9	334.5	403.4	356.2	88.3
1973 Preliminary	47.2	366.8	414.0	366.8	88.6
1974 Estimate	47.2	351.0	398.2	352.2	88.4
1975 Estimate	46.0				

Average Annual Increase

5 Year Averages	Production	% Change	Consumption	% Change
1960-64	247.2	—	247.6	—
1965-69	298.5	20.8	293.8	18.7
1970-74	340.9	14.2	349.4	18.9

Trends in World Feed Grain Supply and Consumption

Million metric tons

Crop Year	Beginning Stocks	Production	Total Supply	Consumption	Consumption as % of Total Supply
1960	86.3	407.0	493.3	396.8	80.4
1961	96.5	388.2	484.7	402.5	83.0
1962	82.2	404.7	486.9	408.8	84.0
1963	78.1	414.1	492.2	407.6	82.8
1964	84.6	413.4	498.0	428.0	86.0
1965	70.0	430.8	500.8	441.0	88.1
1966	59.8	460.0	519.8	460.4	88.6
1967	59.4	483.7	543.1	469.4	86.5
1968	73.7	488.1	561.8	485.6	86.4
1969	76.2	511.0	587.2	513.2	87.4
1970	74.0	507.3	581.3	522.3	89.9
1971	59.0	565.0	624.0	547.0	88.0
1972	77.0	549.0	626.0	564.8	90.2
1973 Preliminary	61.2	600.0	661.2	601.2	90.9
1974 Estimate	60.0	571.8	631.8	578.0	91.6
1975 Estimate	53.8				

Average Annual Increase

5 Year Averages	Production	% Change	Consumption	% Change
1960-64	405.5	—	408.7	—
1965-69	474.7	17.1	473.9	16.0
1970-74	558.6	17.7	562.7	18.7

Market Opportunities for MF Products

One of the objectives of the changes made in 1972 in the world-wide organization of Massey-Ferguson was to develop new approaches to the major business opportunities in the growth markets of Eastern Europe and in the developing countries in Asia, Africa and the Pacific Basin.

We said then that much of the long-term expansion of Massey-Ferguson might come in these areas, and there have been significant developments during the past year which warrant a status report on this major segment of our world-wide activities.

1974 Industry Trends

Market demand for farm machinery continued at a high level throughout 1974 in the 90 export markets in the Middle East, Asia, Africa and the Pacific Basin in which Massey-Ferguson is actively represented. However, Massey-Ferguson, in common with the rest of the farm machinery industry, was unable to increase production sufficiently to meet the full market requirements. Demand for industrial and construction machinery in these areas of the world was also strong in the aggregate, although it eased in some markets towards the end of 1974.

The Middle East Oil Impact

The continuing high levels of prices for food, raw materials and energy have had a major impact throughout the world. In particular, the increased price of oil has altered completely the economic outlook for many countries.

In the Middle East, the oil producing countries are building up unprecedented surpluses of funds and are embarking on ambitious development plans. Substantial funds are being allocated for land clearance, irrigation, transportation and communication projects — a necessary infrastructure to support increased production of food.

Those developing countries which do not have oil resources are also putting increased emphasis on food production to minimize their dependence on imports.

Recent international conferences have focused attention on the world's food problem and on the necessity of directing the surplus funds of the oil producing countries into programs related to agriculture in the developing countries.

Massey-Ferguson is well placed to assist in all these development activities. Our experience and skill in the formulation and implementation of local manufacturing projects is widely recognized. We have had for many years an unrivalled distribution network throughout the Middle East, Asia, Africa and the Pacific Basin to provide sales support and service for MF products. Moreover, our ability to supply industrial and construction machinery for development projects has been improved significantly by the recent acquisition of the Hanomag construction machinery line and production facilities.

Increasing Production a Major Problem

Tractor production in the United Kingdom (our principal source for exports) continued below capacity in 1974, primarily as a result of inadequate supplies of materials and components. Supply problems also restricted tractor output of our Associates in India and Morocco; our Licensees in Turkey, Pakistan and Thailand; and of the MF 125 tractor manufactured and marketed in Japan. Efforts are continuing to increase our world-wide production of machines and parts, and of components to support assembly activities in growth markets.

Production facilities in Argentina, France, Spain and the United States are increasingly able to supply complete tractors to assist in meeting growth in market demand in Asia, Africa, the Pacific Basin and Eastern Europe.

Polish Project a Significant Breakthrough

In September, 1974 agreements were signed with the Polish foreign trade enterprise, Agromet Motoimport, under which Massey-Ferguson will assist in the expansion and modernization of the Polish tractor industry, leading to the production in Poland of 75,000 Massey-Ferguson tractors and 90,000 Perkins engines annually.

Although most of the production will be required to meet the needs of the Polish market, the agreements provide for a long-term industrial cooperation activity in which Massey-Ferguson will participate by utilizing Polish components in its own manufacturing operations and by marketing Polish-made whole goods through its distribution channels. The value of the project, in terms of capital equipment, components and services, exceeds $350 million and is the largest single trade arrangement ever negotiated between Poland and an industrial company in the western world.

These agreements represent a significant breakthrough in the concept of industrial cooperation and cover a broader basis than traditional licensing arrangements. It is anticipated that there will be opportunities in other countries in Asia, Africa, the Pacific Basin and Eastern Europe to participate in market growth by a similar process of cooperation.

Sugar Cane Harvesting

World demand for harvesters of sugar cane, the last major crop to be mechanized, continues to exceed manufacturing capacity in Australia, and action is in hand to expand production facilities. The trend towards mechanized chopped cane harvesting systems along the lines pioneered by Massey-Ferguson is expected to continue both for opening up new areas for sugar cane and for increasing output yields from existing cane growing areas.

Expertise Provided to Developing Countries

Training in application, operation and servicing to assure optimum use of our equipment has always played a major part in building up Massey-Ferguson's strength in the developing countries. This activity, which is being expanded, is carried out at Massey-Ferguson's long-established training centres, the principal one being at Stoneleigh in the United Kingdom, as well as at the local level in conjunction with our distributors.

Similarly, the technical staff of our Special Operations Division is being expanded to support Associates and Licensees and to provide the required level of technical manpower for the development and implementation of new projects and industrial cooperation schemes.

Mechanization in Developing Countries

The key to increasing food production in many of the developing countries is to provide mechanization assistance to the small-holdings farmer. The type of mechanization will vary from country to country, depending upon soil and crop conditions and upon the social and economic factors involved in making optimum use of available funds.

We are continuing to maintain close contact with and assist national and international bodies in finding solutions for this problem, either by better utilization of equipment presently available or by developing less sophisticated and less expensive means of providing mechanical power for the small-holdings farmer.

The official signing of the Polish agreements took place in London in September. Seated from left to right are Sir Monty Prichard, Executive Vice President Engines; Albert A. Thornbrough, President, Massey-Ferguson Limited; Zdzislaw Cibor, Managing Director, Agromet Motoimport; and Jerzy Typrowicz, Director, Agromet Motoimport. Under the $350 million program for industrial cooperation, MF will aid in the reconstruction of the Polish tractor and diesel engine industries enabling their annual output to reach 75,000 MF tractors and 90,000 Perkins engines a year by 1980.

Auditor's Report

To the Shareholders of
Massey-Ferguson Limited:

We have examined the consolidated balance sheet of Massey-Ferguson Limited and its consolidated subsidiaries as at October 31, 1974, and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. We have also examined the combined statement of assets and liabilities of Massey-Ferguson Finance Company of Canada Limited, Massey-Ferguson Credit Corporation and its subsidiaries, and Massey-Ferguson Export Finance Company Limited, Massey-Ferguson Finance A.G. and Perkins Engines Finance Company Limited (the "Finance Subsidiaries") as at October 31, 1974, and the combined statement of income and retained earnings for the year then ended. Our examinations included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly (a) the financial position of Massey-Ferguson Limited and its consolidated subsidiaries as at October 31, 1974, and the results of their operations and the changes in their financial position for the year then ended and (b) the combined assets and liabilities of the Finance Subsidiaries as at October 31, 1974, and the results of their operations for the year then ended, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co

Toronto, Canada,
December 18, 1974.

Chartered Accountants.

Massey-Ferguson Limited

(Incorporated under the Laws of Canada)

Consolidated Statement of Income

Year ended October 31, 1974 (with comparative figures for 1973)
(Thousands of U.S. Dollars)

	1974	1973
Sales and Other Income:		
Net sales (Notes 1(c) and 9(b))	$1,784,625	$1,506,234
Interest and sundry income	21,563	17,067
Profit on disposal of capital assets	662	3,434
	1,806,850	1,526,735
Costs and Expenses:		
Cost of goods sold	1,383,048	1,167,145
Marketing, general and administrative expenses	202,881	186,175
Engineering and product development expenses	42,186	33,623
Interest on long-term debt	17,546	13,158
Interest on bank and other short-term debt	60,334	34,907
Exchange (gains) losses	(639)	1,646
Minority interest	3,072	1,916
	1,708,428	1,438,570
Profit before Income Taxes, and Items Shown Below	98,422	88,165
Income taxes (Notes 1(j) and 4)	36,505	35,804
Profit before Items Shown Below	61,917	52,361
Equity in net income of finance subsidiaries (Note 1(a))	4,304	4,120
Equity in net income of Associate Companies (Note 1(d))	2,192	1,732
Net Income for the Year	$ 68,413	$ 58,213
Income per Share (in U.S. dollars)	$ 3.75	$ 3.20

(See accompanying Notes to Consolidated Financial Statements)

Massey-Ferguson Limited

Consolidated Balance Sheet

October 31, 1974 (with comparative figures at October 31, 1973)
(Thousands of U.S. Dollars)

Assets	1974	1973
Current Assets:		
Cash	$ 13,324	$ 8,096
Receivables (Note 2)	309,385	300,257
Products sold to North American dealers under deferred floor plan arrangements (Note 1(c))	123,509	116,412
Inventories, valued at the lower of cost or net realizable value —		
Raw materials and work in process	421,192	265,536
Finished goods	290,061	196,048
Total company inventories	711,253	461,584
Prepaid expenses and other current assets (Note 4)	65,060	52,232
Total Current Assets	1,222,531	938,581
Investments:		
Wholly owned finance subsidiaries, at equity in net assets (Note 1(a))	50,104	45,830
Associate Companies (Note 1(d))	41,859	35,873
First mortgage receivable due 1975-79	5,497	6,660
	97,460	88,363
Fixed Assets:		
Land	17,822	11,041
Buildings	176,149	147,148
Machinery and equipment	369,555	318,827
Production tooling	42,586	35,862
Total fixed assets, at cost	606,112	512,878
Less accumulated depreciation and amortization (Notes 1(e) and 3)	327,842	307,338
	278,270	205,540
Other Assets and Deferred Charges (Notes 1(f) and 4)	15,690	16,560
	$1,613,951	$1,249,044

On behalf of the Board:

John A. McDougald, Director
Albert A. Thornbrough, Director

Liabilities and Shareholders' Equity	1974	1973
Current Liabilities:		
Bank borrowings (Note 8(c))	$ 162,824	$ 80,591
Current portion of long-term debt	16,456	13,161
Accounts payable and accrued charges	466,892	332,150
Income, sales and other taxes payable	56,060	61,659
Dividend payable	3,708	3,647
Advance payments from customers	15,227	8,669
Total Current Liabilities	721,167	499,877
Deferred:		
Exchange translation gains (Note 1(b))	1,005	7,605
Income taxes (Note 4)	26,519	13,396
	27,524	21,001
Long-Term Debt:		
Bonds, debentures, notes and loans (Note 8)	342,188	257,019
Less instalments maturing within one year	16,456	13,161
	325,732	243,858
Minority Interest in Subsidiaries	15,906	14,363
Shareholders' Equity:		
Share Capital (Note 7)	176,865	176,719
Retained earnings (including retained earnings of unconsolidated finance subsidiaries: October 31, 1974—$35,359; October 31, 1973—$31,085) (Note 6)	346,757	293,226
	523,622	469,945
	$1,613,951	$1,249,044

(See accompanying Notes to Consolidated Financial Statements)

Massey-Ferguson Limited

Consolidated Statement of Changes in Financial Position

Year ended October 31, 1974 (with comparative figures for 1973)
(Thousands of U.S. Dollars)

	1974	1973
Source of Funds:		
Income for the year	$ 68,413	$ 58,213
Add (deduct):		
Depreciation, and amortization of production tooling	35,034	33,526
Increase in deferred income taxes	13,123	9,330
Equity in earnings of finance subsidiaries in excess of dividends received	(4,274)	(4,090)
Equity in earnings of Associate Companies in excess of dividends received	(1,880)	(748)
Funds from Operations	110,416	96,231
Increase in long-term debt	134,601	61,896
Net book value of fixed asset disposals*	2,436	1,284
Increase in minority interest in subsidiaries	1,543	2,047
Decrease in first mortgage receivable	1,163	1,384
Decrease in other assets and deferred charges	870	2,315
Common shares issued under options (Note 7)	146	658
Total Funds Provided	$251,175	$165,815
Use of Funds:		
Additions to fixed assets	$110,200	$ 59,908
Reduction in long-term debt	52,727	13,825
Dividends	14,882	9,113
Deferred exchange translation losses (gains) (Note 1 (b))	6,600	(7,605)
Investments in shares of Associate Companies (and finance subsidiaries in 1973)	4,106	874
Increase in working capital as set out below	62,660	89,700
Total Funds Used	$251,175	$165,815
Changes in Elements of Working Capital:		
Working Capital at Beginning of Year	$438,704	$349,004
Current assets—increase (decrease):		
Cash	5,228	(1,763)
Receivables	9,128	81,029
Products sold to North American dealers under deferred floor plan arrangements	7,097	(5,910)
Company inventories	249,669	99,348
Prepaid expenses and other current assets	12,828	6,790
	283,950	179,494
Current liabilities—(increase) decrease:		
Bank borrowing and current portion of long-term debt	(85,528)	55,828
Accounts payable and accrued charges	(134,742)	(110,764)
Income, sales and other taxes payable	5,599	(26,566)
Dividends payable	(61)	(3,647)
Advance payments from customers	(6,558)	(4,645)
	(221,290)	(89,794)
Net Increase in Working Capital	62,660	89,700
Working Capital at End of Year	$501,364	$438,704

*Proceeds on disposal of fixed assets were $3,098 in 1974 and $4,718 in 1973.

(See accompanying Notes to Consolidated Financial Statements)

Consolidated Statement of Retained Earnings

Year ended October 31, 1974 (with comparative figures for 1973)
(Thousands of U.S. Dollars)

	1974	1973
Balance at Beginning of Year	$293,226	$244,126
Net income for the year	68,413	58,213
	361,639	302,339
Deduct dividends (Canadian $0.80 per share in 1974, $0.50 per share in 1973)	14,882	9,113
Balance at End of Year	$346,757	$293,226

Notes to Consolidated Financial Statements

Year ended October 31, 1974 (with comparative figures for 1973)
(In U.S. Dollars)

1 Summary of Significant Accounting Policies

(a) Basis of Consolidation

The accompanying consolidated financial statements consolidate the accounts of all subsidiary companies except for the wholly owned finance subsidiaries, the combined statements of which are set out separately rather than being consolidated (see page 30). The investment in these subsidiaries is carried in the Consolidated Balance Sheet at the equity in their net assets and their earnings have been included in the Consolidated Statement of Income. The company considers that this basis of presentation with respect to finance companies is more informative than full consolidation since (a) it affords a basis of comparison with other major companies in the industry, the larger of which are U.S. based and do not consolidate their finance subsidiaries, (b) it recognizes that these subsidiaries' operations are financed on a different basis from that applicable in the case of manufacturing and trading operations, with substantially greater restrictions on the transfer of assets from the finance companies, and (c) it avoids the inference that the concept of working capital may be appropriately applied to the finance companies' operations, or that the assets of the finance companies are readily available to the manufacturing subsidiaries. By way of supplementary information, summarized balance sheets at October 31, 1974 and 1973, and summarized statements of income for the years then ended, are set out on page 32 to show the over-all position if the accounts of the finance subsidiaries had been consolidated.

(b) Exchange Translation

The statements of companies outside the United States have been translated into U.S. dollars as follows: current assets, current liabilities and long-term debt at exchange rates prevailing at the end of the year; investments, fixed assets and depreciation provisions on the basis of rates prevailing at date of acquisition; income and expenses (other than depreciation provisions) at average rates for the year.

Because of the abnormal circumstances prevailing in world currency markets, it was deemed appropriate to defer unrealized exchange translation gains (net) in 1973 of $7,605,000 which arose because of the weakness of the U.S. dollar relative to most other major currencies, and to apply this deferral to absorb translation losses which would result from expected future strengthening of the U.S. dollar. The translation losses (net) of $6,600,000 in 1974 have accordingly been charged to the deferral.

(c) Sales and Settlement Accounting

Sales are recorded at the time of shipment to distributors, dealers and other customers, except in the case of transactions with North American dealers under deferred floor plan arrangements.

These latter transactions are accounted for by using the settlement accounting method. Under this method North American sales of farm, industrial, construction and recreation equipment, and the related income, are not reflected in the accounts until settlement is received from the dealer.

This method is considered more appropriate for transactions with North American dealers as the company, following industry practice, finances the major portion of its dealer inventories by means of floor plan notes. These notes have terms extending up to one year or more, are for the most part interest free, and settlement is not ordinarily received by the company until the products are sold by the dealer. During this period the company occasionally grants price reductions to dealers on slow moving goods, and may also absorb certain other costs prior to settlement from the dealer. Outside North America, on the other hand, the majority of dealers provide their own financing and pay for goods delivered in accordance with normal trade terms.

(d) Investments in Associate Companies

Investments in Associate Companies (i.e. those in which the company owns 50 per cent or less of the voting shares), where the company exercises a significant influence over operating and financial policies, are accounted for on the equity method. Under this method, the company's share of the net income of these Associate Companies (less amortization of any related goodwill) is included currently in the Consolidated Statement of Income rather than when realized through dividends, and the investments are carried in the Consolidated Balance Sheet at original cost plus the company's share of undistributed earnings since acquisition less amortization of any related goodwill. Investments in other Associate Companies continue to be carried at cost (1974—$2,885,000; 1973—$2,070,000).

(e) Fixed Assets

Additions to fixed assets are recorded at cost. Depreciation of facilities is provided on a straight line basis in substantially all of the companies, at rates which are designed to write off the assets over their estimated useful lives as follows:

Buildings	5 to 50 years
Machinery and equipment	3 to 10 years
Trucks and automobiles	3 to 5 years
Office furniture and equipment	5 to 10 years

Production tooling for new products and for major product changes is generally amortized over a three-year period commencing with the first year of full utilization of the tooling concerned; tooling for replacements and minor product changes is charged against income at the time of purchase.

(f) Amortization of Intangibles

Goodwill on the acquisition of subsidiaries and start-up expenses included in Other Assets and Deferred Charges are written off over periods of ten and four years respectively.

(g) Research and Development Costs

Research and development costs are charged against income as incurred.

(h) Modification and Warranty Costs

The costs of any major program to modify products in the hands of customers are accrued when the costs of the programs become identifiable and are approved by management. Normal warranty costs are expensed as paid.

(i) Pensions

A substantial portion of the companies' employees are covered by government and company pension plans. The costs of these plans are charged against income in the year premiums or funding requirements are payable. Past service costs in trusteed plans are generally being amortized and funded over periods of up to 25 years (see Note 5(d)).

(j) Income Taxes

The company follows the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in deferred or prepaid taxes.

The benefits of loss carry-forwards are generally not recognized until realized, except that future tax recoveries have been recognized in the accounts in certain prior years where, in the opinion of management, it was virtually certain that future earnings would be sufficient to realize them. The multinational nature of Massey-Ferguson's operations is such that, on a continuing basis, some subsidiaries are incurring losses (without recognition of the potential carry-forward tax benefits) at the same time that other subsidiaries are realizing the tax benefit of previous losses. On a consolidated basis these annually recurring tax recoveries are not considered to be extraordinary in nature and are accordingly reflected as reductions of current income tax charges when realized.

Dividend payments from subsidiary companies in a number of countries are subject to withholding taxes at various rates but are not at present subject to additional tax in Canada. Provision has been made for the related withholding taxes on dividends anticipated in the future out of earnings accumulated to October 31, 1974. Of the balance of unremitted earnings included in consolidated retained earnings at October 31, 1974, a portion is not subject to withholding tax; the remainder (approximately $153 millions) has been re-invested on a long-term basis and withholding taxes have accordingly not been provided.

2 Receivables

(a) Receivables include amounts due from finance subsidiaries of $11,652,000 in 1974 and $40,906,000 in 1973.

(b) Receivables are shown net of the following provisions:

	1974	1973
Allowance for doubtful notes and accounts	$14,269,000	$12,945,000
Volume and performance bonuses, returns and other allowances	1,115,000	2,427,000
Unearned interest	1,838,000	1,119,000
	$17,222,000	$16,491,000

3 Depreciation and Amortization

Depreciation, and amortization of production tooling charged to operations are as follows:

	1974	1973
Depreciation	$26,482,000	$24,170,000
Amortization	8,552,000	9,356,000
	$35,034,000	$33,526,000

4 Income Taxes

The company's accounting policies with respect to income taxes are set out in Note 1(j). Deferred and prepaid income taxes are carried on the balance sheet as follows:

Deferred income taxes ($26,519,000 in 1974 and $13,396,000 in 1973) primarily resulting from capital cost allowances claimed for tax purposes in excess of depreciation and amortization recorded in the accounts (shown separately).

Prepaid income taxes ($32,360,000 in 1974 and $30,-650,000 in 1973) relating to various provisions made

for accounting purposes which have not yet become deductible for tax purposes and the prepaid taxes resulting from the use of the settlement accounting method (grouped with Prepaid Expenses and Other Current Assets).

In 1973, recoverable taxes of $3,802,000 (nil in 1974), relating to prior years' losses represented by unclaimed capital cost allowances were grouped with Other Assets and Deferred Charges.

Income taxes shown in the Consolidated Statement of Income have been reduced by tax credits arising from prior years' losses which, net of other tax adjustments relating to prior years, amount to $1,300,000 in 1974 and $4,800,000 in 1973.

At October 31, 1974 certain companies had tax losses aggregating $40,000,000 (October 31, 1973—$37,000,000) available to be carried forward for which potential recoveries have not been recognized in the accounts. These loss carry forwards expire as follows: 1975—$200,000; 1976—$4,700,000; 1977—$18,300,000; 1978—$6,400,000; 1979 and beyond — $10,400,000. At current tax rates, the tax recoveries which would result will, if realized, amount to approximately $17,000,000 (1973—$12,000,000).

5 Contingent Liabilities, Commitments, etc.

(a) The total contingent liabilities relating to notes receivable discounted and bills guaranteed etc., were as follows: October 31, 1974—$73,400,000, October 31, 1973—$61,600,000.

(b) Under subscription agreements relating to short-term bank borrowings and senior and subordinated notes of the two North American finance subsidiaries, Massey-Ferguson Limited has agreed that it will ensure that assets are maintained in those companies in certain specified relationships with their indebtedness.

(c) Approved capital expenditure programs outstanding at the year-end were as follows: October 31, 1974—$139,000,000 (including commitments of approximately $57,000,000); October 31, 1973—$63,000,000 (including commitments of approximately $34,000,000).

(d) Total pension expense including past service costs was $37,300,000 in 1974 and $29,200,000 in 1973. The actuarially computed value of vested benefits exceeded total pension fund assets and balance sheet accruals by approximately $85,000,000 at October 31, 1974 ($42,000,000 at October 31, 1973) and total unfunded past service liability was approximately $103,000,000 at October 31, 1974 ($63,000,000 at October 31, 1973). The increase in these amounts in 1974 is due primarily to increased benefits under certain of the plans. The companies have no legal obligation with regard to past service liability including that portion which has vested. See Note 1(i) regarding the basis of accounting for pension costs.

6 Dividend Restrictions

The long-term loan agreements of certain subsidiary companies contain restrictions on the payment of dividends. Under the most restrictive of these, approximately $116,000,000 of consolidated retained earnings is not available for the payment of dividends to shareholders of Massey-Ferguson Limited. Of the remaining unrestricted $231,000,000, approximately $163,000,000 represents the company's equity in the unrestricted portion of profits of various subsidiaries and Associate Companies outside North America which have not been remitted to Canada. Transfers of earnings from companies outside North America are generally subject to the approval of exchange control authorities, but permission to pay dividends is normally obtainable.

7 Share Capital, Stock Options and Reservation of Shares

(a) The authorized share capital consists of 25,000,000 common shares without nominal or par value, of which 18,247,850 shares were outstanding at October 31, 1974 (18,236,050 at October 31, 1973). 11,800 shares were issued during 1974 for U.S. $146,587 cash under employee stock options as detailed below.

(b) Employee stock options were outstanding at October 31, 1974 with respect to an additional 11,400 common shares exercisable by various dates up to 1975 as follows:

Granted	Option Price (Canadian Dollars)	Outstanding October 31, 1973	Changes during 1974 Exercised	Changes during 1974 Expired	Outstanding October 31, 1974
1968	18.25	18,250	3,800	14,450	
1969	18.13	1,200			1,200
1969	18.25	5,700		1,000	4,700
1969	23.44	7,500		7,500	
1970	16.50	2,500			2,500
1970	9.31	11,000	8,000		3,000
		46,150	11,800	22,950	11,400

Of the outstanding options 1,200 are for Directors and Officers. A further 206,450 unissued common shares are reserved for possible future options.

8 Long-Term Debt

(a) Repayable in currency of country indicated unless otherwise shown; maturity dates are for fiscal years ending October 31:

	(Thousands of U.S. Dollars) October 31 1974	October 31 1973
MASSEY-FERGUSON DO BRASIL S.A. (BRAZIL):		
Bank Loan maturing 1978-82 repayable in U.S. dollars bearing interest at ¾% above Eurodollar interbank rate	$ 15,000	
Bank Loan maturing 1978-84 repayable in U.S. dollars bearing interest at 2% above Eurodollar interbank rate plus commission of ½% per annum	5,000	
Secured Bank Loans maturing 1975-77 repayable in U.S. dollars bearing interest at 1%-1½% above Eurodollar interbank rate	9,976	
MASSEY-FERGUSON INDUSTRIES LIMITED (CANADA):		
5⅞% Secured Promissory Note maturing 1975-85	15,367	$ 16,500
MASSEY-FERGUSON S.A. (FRANCE):		
8¼% Bank Loan maturing 1977-79	7,881	8,806
Bank Standby Loan maturing 1976-78 bearing interest at the official medium term rate in the amount of francs 40,000,000 of which francs 20,000,000 was in use at October 31, 1973. Commitment fee 1¼% per annum on unused portion (Note 8(c))	8,520	4,760
Mortgage Loan maturing 1979-81 repayable in U.S. dollars bearing interest at 1% above Eurodollar interbank rate	4,500	
MASSEY-FERGUSON GmbH. (GERMANY):		
7½% Bank Loan maturing 1977-79	15,520	16,400
Bank Loan maturing 1976 bearing interest at 1¼% above Euromark interbank rate	13,580	
Secured purchase loan maturing 1977 discounted at 10% per annum	8,730	
MASSEY-FERGUSON-HANOMAG INC. & CO. (GERMANY):		
Bank Loan maturing 1976 bearing interest at 4¾% above the Deutsche Bundesbank discount rate in the amount of DM 35,000,000. This facility was not in use at October 31, 1974 (Note 8(c))		
MASSEY-FERGUSON ICM S.p.A. (ITALY):		
3%-4% Mortgage Loans maturing 1975-83	8,046	10,547
MASSEY-FERGUSON NEDERLAND N.V. (NETHERLANDS):		
9% Sinking Fund Debentures maturing 1975-82 repayable in U.S. dollars	15,500	17,000
Bank Standby Loan maturing 1976-78 bearing interest at ⅝% above Eurodollar interbank rate, in the amount of U.S. $15,000,000. Commitment fee ½% per annum on unused portion	15,000	15,000
Bank Standby Loan maturing 1978-80 bearing interest at ¾% above Eurodollar interbank rate in the amount of U.S. $25,000,000, of which U.S. $10,000,000 was in use at October 31, 1973. Commitment fee ¼% per annum on unused portion (Note 8(c))	25,000	10,000
Promissory Note maturing 1980 bearing interest at 1⅛% above Eurodollar interbank rate in the amount of U.S. $25,000,000. This facility was not in use at October 31, 1974 (Note 8(c))		
MASSEY-FERGUSON HOLDINGS LIMITED (UNITED KINGDOM):		
7½% Loan Stock maturing 1975-92	28,039	29,824
Bank Loans maturing 1975-79 bearing interest at 2%-2½% above bank base rate	19,367	23,331
MASSEY-FERGUSON INC. (U.S.A.):		
5¼% Promissory Notes maturing 1975-83	17,900	19,800
5⅞% Subordinated Notes maturing 1975-84	19,800	21,360
GENERAL BANK STANDBY LOAN:		
Maturing 1979 bearing interest at ¾% above Eurodollar interbank rate in the amount of U.S. $30,000,000. Commitment fee ⅜% per annum on unused portion	30,000	30,000
OTHER LONG-TERM DEBT (Note 8(d))	20,882	13,931
	303,608	237,259
BANK BORROWINGS (Note 8(c))	38,580	19,760
	$342,188	$257,019

(b) Sinking fund requirements and debt maturities during the next five years are as follows: 1975 — $16,456,000; 1976 — $62,617,000; 1977 — $50,232,000; 1978 — $45,436,000; 1979 — $67,482,000.

(c) Included under the classification Long-Term Debt are current bank borrowings of $38,580,000 ($19,760,000 in 1973). These borrowings are covered by long-term facilities available in Germany and The Netherlands (1973 France and The Netherlands) which were not being utilized at the year end, but have since been taken up.

(d) Other long-term debt includes long-term loans each of which is less than $4,000,000.

9 Other Statutory Information

(a) Aggregate remuneration to persons who served as Directors and Officers of Massey-Ferguson Limited at any time during the year was as follows:

	18 Directors	17 Officers
	(5 Officers were also Directors)	
Remuneration paid by:		
Massey-Ferguson Limited (holding company)	$ 88,000	$1,091,000
Subsidiary companies—principally Massey-Ferguson Inc. (U.S.A.)	14,000	567,000
	$102,000	$1,658,000

(b) The company's manufacturing and marketing operations are highly integrated and thus it is the opinion of the Directors that the company has only one line of business. Within this business, sales by major categories in millions of U.S. dollars were:

	1974	1973
Farm machinery	$1,109.1	$ 930.2
Industrial & construction machinery	198.6	181.1
Engines	158.2	133.7
Parts	274.6	224.1
Recreation products	23.3	21.0
Other products	20.8	16.1
Net sales	$1,784.6	$1,506.2

(c) Other assets and deferred charges at October 31, 1974 include housing loans of $352,400 (Canadian dollars) to Officers.

Finance Subsidiaries

Massey-Ferguson Finance Company of Canada Limited
Massey-Ferguson Credit Corporation and its subsidiaries
Massey-Ferguson Export Finance Company Limited
Massey-Ferguson Finance A.G.
Perkins Engines Finance Company Limited

Combined Statement of Income and Retained Earnings

Year ended October 31, 1974 (with comparative figures for 1973)

(Thousands of U.S. Dollars)	1974	1973
Revenue:		
Interest and finance fees (including income from affiliates of $10,477 in 1974 and $10,764 in 1973)	$ 35,816	$ 33,290
Discounts	2,543	2,755
	38,359	36,045
Expenses:		
Administrative expenses	9,311	9,604
Interest on long-term debt	7,797	8,602
Interest on short-term debt (including $810 paid to affiliates in 1974 and $565 in 1973)	12,598	8,972
Provision for doubtful accounts	129	557
Exchange adjustments	(97)	124
	29,738	27,859
Income before Income Taxes	8,621	8,186
Income taxes:		
Current	3,023	3,711
Deferred	1,294	355
	4,317	4,066
Net Income for the Year	4,304	4,120
Retained Earnings at Beginning of Year	31,085	26,995
	35,389	31,115
Dividends on preferred shares	30	30
Retained Earnings at End of Year	$ 35,359	$ 31,085

Combined Statement of Assets and Liabilities

October 31, 1974 (with comparative figures at October 31, 1973)

(Thousands of U.S. Dollars)	1974	1973
Assets:		
Cash	$ 9,496	$ 4,862
Receivables (Note 2)	300,019	268,676
Prepaid expenses	1,539	3,965
Property leased to an affiliate (at cost less accumulated depreciation of $793 in 1974 and $647 in 1973)	3,521	3,097
	$314,575	$280,600
Liabilities:		
Short-term notes payable—Banks	$ 91,818	$ 72,744
—Others	41,885	3,620
Due to affiliates	11,652	40,906
Dealer deposits	5,876	8,259
Accrued charges	5,705	4,734
Income taxes payable	177	245
Deferred income taxes	5,967	4,468
Long-term debt (Note 3)	101,391	99,794
	264,471	234,770
Equity of Massey-Ferguson Limited:		
Share capital	14,745	14,745
Retained earnings (Note 3(c))	35,359	31,085
	50,104	45,830
	$314,575	$280,600

(See accompanying Notes to Combined Finance Subsidiaries' Statements)

Notes to Combined Finance Subsidiaries' Statements

Year ended October 31, 1974 (with comparative figures for 1973)
(In U.S. Dollars)

1 Summary of Significant Accounting Policies

(a) Basis of Presentation
The accompanying financial statements combine the accounts of Massey-Ferguson Finance Company of Canada Limited, Massey-Ferguson Credit Corporation (U.S.A.) and its subsidiaries, and Massey-Ferguson Export Finance Company Limited (U.K.), Massey-Ferguson Finance A.G. (Switzerland), and Perkins Engines Finance Company Limited (U.K.). While the books of the Canadian and United States subsidiaries are maintained, and their tax returns filed, on a modified cash basis of accounting, the accompanying financial statements incorporate adjustments to reflect the financial position of these subsidiaries on an accrual basis of accounting.

(b) Exchange Translation
The statements of subsidiaries located outside the United States have been translated into U.S. dollars as follows: assets and liabilities at exchange rates prevailing at the end of the year; share capital at rates prevailing at the date of issue; revenue and expenses at average exchange rates during the year. Exchange translation adjustments (which to date have not been material) are reflected in the Combined Statement of Income and Retained Earnings.

(c) Finance Income
Interest and discounts are taken into income in declining amounts over the life of the contract using an effective yield method in North America and in equal amounts over the life of the contract elsewhere.

(d) Classification of Assets and Liabilities
In accordance with industry practice, the assets and liabilities have not been classified as current or noncurrent.

2 Receivables

Receivables are shown net of the following provisions: Unearned interest and discount 1974—$40,706,000 (1973—$40,360,000); allowance for doubtful accounts 1974—$2,990,000 (1973—$2,500,000).

At October 31, 1974 approximately $159,097,000 (before provisions) or 46 per cent of the receivables mature beyond one year ($150,449,000 or 48 per cent at October 31, 1973), as follows:

	1974	1973
1975	$ —	$ 80,565,000
1976	88,169,000	47,615,000
1977	48,284,000	18,703,000
1978	17,920,000	3,566,000
1979 and beyond	4,724,000	—
	$159,097,000	$150,449,000

Included in the North American receivables are interest bearing wholesale receivables of $7,354,000 in 1974 and $10,005,000 in 1973.

Changes in receivables were as follows:
Purchases 1974—$427,843,000 (1973—$345,094,000); Liquidations 1974—$394,155,000 (1973—$415,900,000).

3 Long-Term Debt

(a) Repayable in currency of country indicated unless otherwise shown; maturity dates are for fiscal years ending October 31:

	(Thousands of U.S. Dollars) October 31 1974	October 31 1973
MASSEY-FERGUSON FINANCE COMPANY OF CANADA LIMITED:		
9¾% Senior Debentures maturing 1980, with June, 1975 maturity option expiring December 15, 1974	$ 10,160	$ 10,000
8¾% Subordinated Notes maturing 1974		1,000
8½% Subordinated Notes maturing 1975-84	6,096	6,000
MASSEY-FERGUSON CREDIT CORPORATION (U.S.A.):		
5¼% Senior Notes maturing 1977-86	25,000	25,000
7⅝% Senior Notes maturing 1975-88	18,480	19,740
8% Senior Debentures maturing 1979-93	20,000	20,000
Senior Notes maturing 1975-76 bearing interest at 1¼% above Eurodollar interbank rate in the amount of $17,000,000. Commitment fee ½% per annum on unused portion. This facility was not in use at October 31, 1974		
Senior Notes maturing 1978 bearing interest at ¾% above Eurodollar interbank rate in the amount of $15,000,000. Commitment fee ½% per annum on unused portion	5,000	
5½% Subordinated Notes maturing 1975-80	5,600	7,000
7⅞% Subordinated Notes maturing 1975-88	4,620	4,935
7¾% Subordinated Loan maturing 1977 payable in Swiss Francs	6,435	6,119
Subordinated Notes maturing 1978 bearing interest at 1% above Eurodollar interbank rate in the amount of $10,000,000. Commitment fee ½% per annum on unused portion. This facility was not in use at October 31, 1974		
	$101,391	$ 99,794
Senior	$ 78,640	$ 74,740
Subordinated	22,751	25,054
Total Long-Term Debt	$101,391	$ 99,794

(b) Instalments due and maturities during the next five years are as follows: 1975—$7,407,000 (includes $4,222,000 of the 9¾% Senior Debentures tendered as of December 15, 1974 under early maturity option); 1976—$3,778,000; 1977—$12,713,000; 1978—$11,278,000; 1979—$7,478,000.

(c) In connection with the agreements relating to the long-term and short-term debt, $10,269,000 of the companies' retained earnings are restricted as to dividends.

Supplementary Information

Showing Financial Position and Results had the Finance Subsidiaries been Consolidated. (See Note 1 (a) to Consolidated Financial Statements)

Summarized Statement of Income

Year ended October 31, 1974 (with comparative figures for 1973)

(Thousands of U.S. Dollars)

	1974	1973
Sales and other income		
Net Sales	$1,784,625	$1,506,234
Interest and other income	49,297	45,217
	1,833,922	1,551,451
Costs and expenses:		
Cost of goods sold, marketing, general, administrative, engineering and product development expenses	1,631,466	1,388,072
Interest on long-term debt	25,343	21,760
Interest on bank and other short-term debt	67,734	41,582
Exchange (gains) losses	(736)	1,770
Minority interest	3,072	1,916
	1,726,879	1,455,100
Profit before income taxes and equity in net income of Associate Companies	107,043	96,351
Income taxes	40,822	39,870
Profit before equity in net income of Associate Companies	66,221	56,481
Equity in net income of Associate Companies	2,192	1,732
Net income for the year	$ 68,413	$ 58,213

Summarized Balance Sheet

October 31, 1974 (with comparative figures at October 31, 1973)

(Thousands of U.S. Dollars)

	1974	1973
Assets		
Current assets:		
Cash	$ 22,820	$ 12,958
Receivables	457,279	390,403
Products sold to North American dealers under deferred floor plan arrangements	123,509	116,412
Company inventories	711,253	461,584
Prepaids	66,360	56,036
Total current assets	1,381,221	1,037,393
Receivables due beyond one year	136,010	128,314
Investments	47,356	42,533
Fixed assets (net)	281,791	208,637
Other assets and deferred charges	15,690	16,560
Total assets	$1,862,068	$1,433,437
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank borrowings and short-term notes payable	$ 296,527	$ 156,955
Current portion of long-term debt	23,863	16,736
Accounts payable and accrued charges	467,895	327,413
Income, sales and other taxes payable	56,237	61,904
Dividend payable	3,708	3,647
Advance payments from customers and dealer deposits	21,103	16,928
Total current liabilities	869,333	583,583
Deferred income taxes and exchange translation gains	33,491	25,469
Long-term debt	419,716	340,077
Minority interest	15,906	14,363
Total liabilities	1,338,446	963,492
Shareholders' equity:		
Share capital	176,865	176,719
Retained earnings	346,757	293,226
	523,622	469,945
Total liabilities and shareholders' equity	$1,862,068	$1,433,437

Financial Review

Basis of Consolidation

The Consolidated Financial Statements include the world-wide results of the company and all its subsidiaries and certain of the Associate Companies (see Investment section). A summary of Massey-Ferguson's significant accounting policies is set out in Note 1 to the Consolidated Financial Statements. For the reasons given therein, the combined statements of the wholly owned finance subsidiaries are set out separately rather than being consolidated. However, by way of supplementary information, summarized balance sheets and summarized statements of income for 1974 and 1973 are set out on page 32 to show the overall position if the accounts of the finance subsidiaries had been consolidated.

Since 1970 the Financial Statements have been presented in U.S. dollars in order to provide a more consistent and meaningful measurement of consolidated operating results from year to year. Despite fluctuations, the U.S. dollar remains the monetary standard against which other currencies are measured. Assets outside Canada represent 89 per cent of the consolidated total and there are significantly more assets in the United States than in any other country. Details of the procedures followed to translate world-wide accounts into U.S. dollars are set out in Note 1 (b).

In 1973 the company adopted the settlement basis of accounting for recognizing sales and income on transactions with North American dealers under deferred floor plan arrangements. This practice has been continued in 1974 as explained in Note 1(c) to the financial statements.

In the latter part of the year the company acquired three new companies: Hanomag, a manufacturer of industrial and construction machinery in Germany with annual sales of approximately $94 million; Progresso Metalfrit, a foundry in Brazil with annual sales of approximately $8 million; and Kanmet, a foundry in Canada with annual sales of approximately $5 million. Their operating results have been reported commencing with the date of acquisition in 1974 and their balance sheets have been included in the consolidated statement as at October 31, 1974. These acquisitions did not have a material effect on the Consolidated Financial Statements.

Other Income

Interest and sundry income is primarily interest earned on open accounts with dealers, although it also includes royalty income and miscellaneous fees. This income increased in 1974 by $4.5 million to $21.6 million. Royalties, dividends and interest received from Associate Companies contributed $3.7 million, an increase of $0.4 million over last year. Interest on open accounts with dealers increased $4.2 million over last year primarily in France but also in Brazil and Argentina where we are developing significant new markets.

In the normal course of operations, the company disposes of capital assets and in 1974 the profits on these disposals were $0.7 million compared with $3.4 million in 1973. There was no single significant disposal during 1974.

Costs and Expenses

World-wide, the company was faced with rapidly inflating costs during 1974. In addition, for much of the year severe shortages of many components were experienced which led to production disruptions and special resourcing actions. These cost penalties offset the benefits of increased volumes which would otherwise have resulted in improved margins. Nevertheless the company was able to maintain cost of goods sold at 77.5 per cent of sales, the same percentage as in 1973.

Marketing, general and administrative expenses showed a significant improvement relative to sales, declining from 12.4 per cent in 1973 to 11.4 per cent during 1974. This is primarily the result of the substantial increases in sales volume, while maintaining control over marketing, general and administrative expenses. Engineering and product development expenditures increased $8.6 million to $42.2 million reflecting the continuing emphasis on research and new products. Total interest costs increased $29.8 million as a result of replacing maturing long-term loans with loans bearing interest at higher rates; of generally higher interest rates on short-term loans; and of a higher level of borrowing to support work-in-process inventories. Interest was 4.4% of sales compared with 3.2% in 1973.

Income Taxes

As explained in Notes 1(j) and 4, provisions for income taxes are based on the tax allocation principle. Under this method, timing differences between reported and taxable income which result from items recognized in the accounts in one year but subject to tax in another year result in prepaid or deferred taxes.

The relationship between income taxes and pre-tax profits varies from year to year and is significantly affected by such matters as the differing rates of tax applicable to taxable income of subsidiaries and to year-to-year fluctuations in the contribution of each company to consolidated income.

Income taxes reflect the use of prior years' losses of certain subsidiaries. The net credit from such loss carry-forwards, less other tax adjustments, in respect of prior years, amounts to $1.3 million in 1974, compared with $4.8 million in 1973.

Certain subsidiary companies have not yet returned to profitable operations and no tax credit has been taken in these cases. Losses available to be carried forward, for which potential tax recoveries have not yet been recognized in the financial statements, at current rates would reduce income taxes as a result of their utilization by approximately $17.0 million.

Working Capital

During 1974 the net generation of funds from operations, long-term debt issues, fixed asset disposals and other

factors, set out in the Statement of Changes in Financial Position, was $250.3 million. These funds were applied primarily to acquire fixed assets of $110.2 million, to reduce long-term debt by $52.7 million and pay dividends of $14.9 million. At year-end, the current ratio declined to 1.7 to 1 compared with 1.9 to 1 at the end of 1973, in spite of a $62.7 million increase in working capital.

Within the working capital category, company inventories increased by $249.7 million. This was largely financed by accounts payable and accrued charges which increased $134.7 million, and bank borrowings which increased $82.0 million. Of the inventory increase, $47.8 million relates to three acquisitions late in 1974. The balance is the result of general inflationary increases and a significant increase in goods in process due to shortages of components from suppliers. Products sold to North American dealers under deferred floor plan arrangements, however, increased only $7.1 million or 6%. With a world-wide sales increase of 18.5 per cent, receivables increased only $9.1 million or 3 per cent.

Exchange

As explained in Note 1(b) to the Consolidated Financial Statements, abnormal circumstances prevailed in world currency markets in 1973. Gains of $7.6 million arising in 1973 from the translation of financial statements into U.S. dollars were deferred as they were expected to be of a temporary nature. Translation losses of $6.6 million in 1974 were charged to the deferral. These fluctuations would otherwise have distorted both 1973 and 1974 operating results. Realized exchange gains ($0.6 million in 1974) and losses ($1.6 million in 1973) have been reflected in the income statement.

Investments

The five wholly owned finance subsidiaries are not consolidated for reasons set out in Note 1 (a), with the operating company financial statements, but combined statements are provided. As noted in the first paragraph, supplementary information has been provided showing the financial position and results had the finance subsidiaries been consolidated with the manufacturing and sales operations.

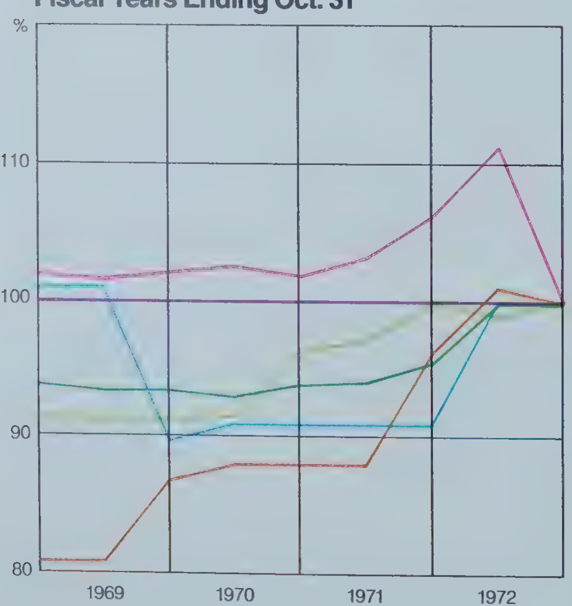
Those Associate Companies in which the company has a significant influence over the operating and financial policies are reported under the equity accounting method. The company's share of the net income of these Associate Companies ($2.2 million in 1974) is reported in the Consolidated Statement of Income, and their value on the Consolidated Balance Sheet is increased by a similar amount, less dividends received ($0.3 million in 1974). The remaining Associate Companies are reported at cost. At the end of 1974, six Associate Companies were accounted for on an equity basis and eight on a cost basis.

Percentage Fluctuation for MF Fiscal Periods in Exchange Rates of Certain Major Currencies Relative to Their U.S. Dollar Value at Oct. 31, 1972.

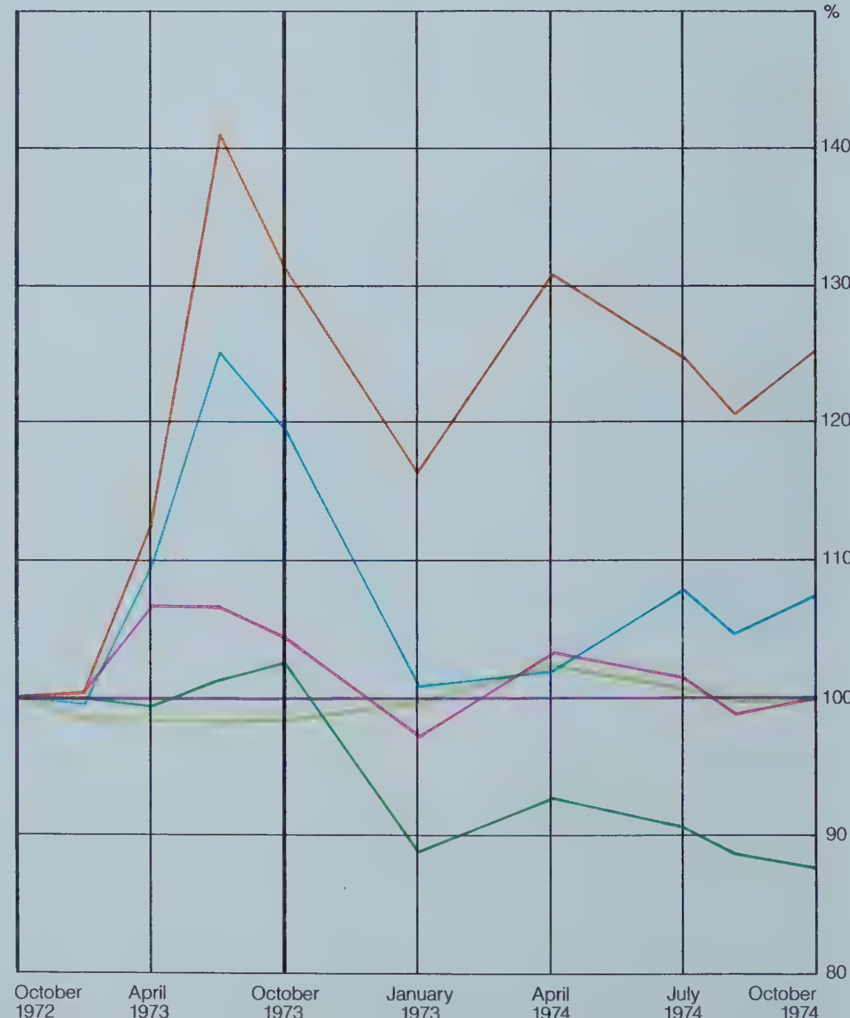
(U.S. Dollar Values at 100% Level are Shown in Brackets)

U.S. Dollar ($1.00) Canadian Dollar ($1.017) U.K. Pound ($2.345)
French Franc ($0.199) Italian Lira ($0.0017) German Mark ($0.312)

Fiscal Years Ending Oct. 31



Fiscal Periods



During the year Massey-Ferguson do Brasil, for $1.9 million acquired a 28% interest in a Brazilian parts producer. The company increased its investment in Beltrami S.p.A., an Italian manufacturer of industrial equipment, by $0.6 million, and continued its policy of reinvesting technical assistance fees from Motor Iberica in that Associate. These fees and other minor adjustments resulted in a net additional investment of $0.8 million in Motor Iberica. Subsequent to the year end the company took up its $1.9 million share of a rights issue of Motor Iberica.

During the year, the company also acquired minority interests in a diesel engine company and a tractor company in Peru which have been recorded at cost of $0.7 million. Other minor investments carried at cost totalled $0.1 million.

Capital Expenditures

Capital expenditures during 1974 attained a record of $110.2 million including $22.1 million for the fixed assets of three newly acquired companies: Hanomag, Progresso and Kanmet. Most of this capital was for new product and expansion projects started in 1972 and 1973 to supply the buoyant demand for the company's products.

North American projects included significant outlays for the grey iron foundry expansion, a new machine shop and an implement plant, located in Brantford. In addition, primary machine tool capacity was added in Toronto and Detroit to support additional volumes of larger combines and new high horsepower tractors. Manufacturing rationalization projects were effected at most of the remaining locations, including the transfer of four-wheel-drive tractor assembly from Detroit to Des Moines and the relocation of Badger Northland manufacturing to a new $3 million plant in Kaukauna. An existing grey iron foundry Kanmet Ltd., near Brantford was acquired which will add 8,000 tons of casting capacity.

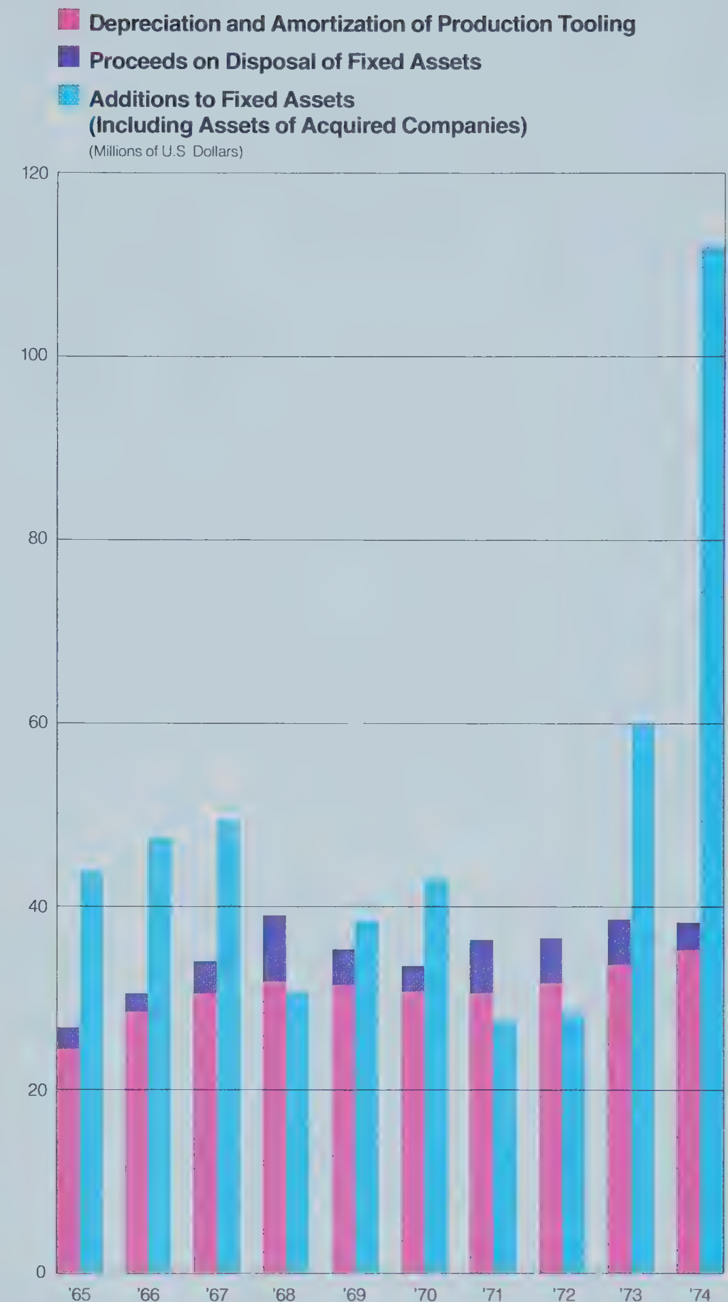
In Brazil, major capacity expansions for tractors, combine harvesters, construction machinery and implements have continued at Sao Paulo, Canoas and at a new location, Sorocaba. A centralized parts warehouse was also completed to service the increasing population of machines.

Tractor capacity was increased in Argentina in response to the higher domestic demand and to permit increased exports. Manufacture of hydraulic pumps was also started during 1974 for installation in locally produced tractors and to supply other MF tractor plants.

In Coventry, U.K. and Beauvais, France major expenditures were made on tractor product improvements and on facilities for a new line of tractors. Projects to increase capacity through rationalization of facilities were accelerated.

In Marquette, France, smaller combine harvesters were upgraded and all combine assembly facilities expanded and rearranged to handle increased volume. Tractor cab manufacture was initiated and will be expanded to meet expected increasing French/German demand. The new MF 595 tractor was the first model to be assembled in France with cab.

Hydraulic cylinder and chain manufacture in Eschwege, Germany continues to increase, and facilities are being added to handle this volume and to reduce sub-contracted operations. The acquisition of the Hanomag manufacturing complex in Hanover not only supplemented the existing construction machinery product line, but added a significant amount of additional manufacturing capacity and facilities in Germany which will be utilized to the fullest extent.



Expanded facilities in Aprilia and Como, Italy, increased output of wheel loaders and crawler tractors and improved shipping facilities. Projects to reduce product costs through selective in-house manufacture were continued.

In Australia, sugar cane harvester capacity at Bundaberg was expanded and some of the machining previously done in Melbourne was transferred to Bundaberg. Growth of combine harvester assembly and addition of some new products necessitated reallocation of facilities in Melbourne.

In South Africa, acquisition of a manufacturing licence for tractor-trailer-transport and material handling systems and introduction of improved models of maize and peanut harvesters required expansion at the company's plants in Vereeniging and Potgietersrus.

Major expansion of diesel engine capacity was continued in Peterborough, U.K. and Sao Paulo, Brazil. The Peterborough projects include replacement of the Queen Street site, capacity increases for all engine types, and a new higher horsepower V-8. The projects started in Brazil, including acquisition of an existing foundry, will increase capacity and broaden the engine types produced. Installation of additional assembly and machining facilities for a new Perkins engine was begun in the Hanomag complex in Hanover.

Expenditures also continue on increased engineering facilities at Peterborough, required for development work on reducing noise and emissions levels.

The capital expenditures in 1975 will be directed mainly at completing capacity expansion projects and new product programs already in progress. In 1975 outlays are expected to reach an all-time high of about $160 million if demand for farm, industrial and construction machinery and engines remains strong. Uncertainties related to the current economic climate require continued close scrutiny of all capital expenditure programs.

Other Assets and Deferred Charges

During the year this category of assets decreased by $0.9 million to $15.7 million primarily as a result of the realization of recoverable taxes included therein in 1973 and the amortization of goodwill and start-up expenses (over ten and four years respectively) partially off-set by additional goodwill arising on the acquisition of companies in Canada and Brazil. In addition to goodwill and start-up expenses ($5.2 million at October 31, 1974) other assets and deferred charges include sundry investments, patents and unamortized bond issue expense.

Long-Term Debt

New term debt of $134.6 million raised during 1974 was required largely to meet the substantial increase in capital expenditures, the purchase cost of new investments, and the requirement for additional working capital. In 1974 $43.7 million of the term debt matured and was repaid, exchange variations reduced existing term debt by $5.7 million, resulting in a net increase of term debt of $85.2 million, for a total of $342.2 million at October 31. Of this amount, $16.5 million matures within one year. During the year the company obtained the agreement of its term debt lenders to a relaxation of the restrictions on the amount of term debt which could be incurred.

Major loans negotiated in 1974 included: two Euro-dollar loans for Brazil totalling $20.0 million maturing in eight and ten years, together with bank loans in Brazil of $12.3 million, maturing between one and three years; a mortgage loan in France for $4.5 million maturing in 1981; loans in Germany to an equivalent of $35.9 million, maturing in 1976 and 1977; and a general-purpose Euro-dollar loan entered into by Massey-Ferguson Nederland N.V. in an amount of $25.0 million, maturing in 1979. The general stand-by loan for $30.0 million, which was due to mature in 1975, was renegotiated to mature in 1979.

The $25.0 million loan to Massey-Ferguson Nederland N.V. and DM 35 million ($14.0 million) in Germany were drawn down after the close of 1974 fiscal year and used to retire short-term borrowings.

Minority Interest

Minority interests in Massey-Ferguson's subsidiaries increased during 1974 by $1.5 million, to a total of $15.9 million. Of this amount, $15.6 million is attributable to the preference shares of Massey-Ferguson Holdings (Australia) Limited, and the common shares of Massey-Ferguson (South Africa) Limited.

During the year, the minority interests' share capital decreased by $0.4 chiefly as the result of the devaluation of the Australian dollar. The minority interests' share of retained earnings increased by $1.9 million, largely in South Africa, which is the most significant minority interest.

At October 31, 1974, minority shareholders had a direct interest varying from less than 1 per cent to almost 50 per cent in seven Massey-Ferguson subsidiaries.

Finance Subsidiaries

As in 1973, the demand for the company's products and the relatively high level of liquidity enjoyed by the farming industry in North America made unnecessary in 1974 certain recurring marketing programs. Also, as a result of this high level of liquidity, the assets of the finance subsidiaries in Canada and the United States did not achieve the growth which would otherwise have been anticipated, despite the significant increase in sales in these markets. The combined operating results of the finance subsidiaries at $4.3 million showed little growth compared with $4.1 million in 1973.

Total term debt in use by the combined finance subsidiaries at October 31, 1974 amounted to $101 million. Standby loans amounting to $37 million which were available to Massey-Ferguson Credit Corporation were not drawn down at October 31, 1974 due to the relatively modest level of its assets. This term debt availability will help the United States subsidiary finance the company's projected sales increases in 1975.

The trust indenture of the Massey-Ferguson Finance Company of Canada $10.0 million (Canadian) 9¾% senior debentures includes an early maturity option exercisable until December 15, 1974. Under this option $4.2 million will be refunded on June 15, 1975.

Financial Statistics

(Millions of U.S. Dollars Except Per Share Statistics and Where Indicated)

	1974*	1973*	1972*	1971	1970	1969	1968	1967	1966	1965
Operating Results										
Net sales	$1,784.6	1,506.2	1,192.4	1,029.3	937.9	969.4	848.0	844.8	862.2	747.9
Gross profit	$ 401.6	339.1	257.9	214.7	186.1	219.8	195.7	183.1	194.2	164.5
Profit (loss) before taxes, etc.	$ 98.4	88.2	42.8	9.7	(22.4)	39.3	35.4	32.5	52.8	39.7
Income taxes	$ 36.5	35.8	15.8	5.7	1.3	12.1	12.2	9.9	14.2	4.9
Finance subsidiaries and Associate Cos.	$ 6.5	5.9	5.4	5.2	4.0	3.0	3.1	2.9	2.5	2.1
Income (loss) before extraordinary item	$ 68.4	58.2	32.4	9.3	(19.7)	30.2	26.3	25.5	41.1	36.9
Extraordinary item	$		8.2							
Net income (loss)	$ 68.4	58.2	40.6	9.3	(19.7)	30.2	26.3	25.5	41.1	36.9
Dividends	$ 14.9	9.1			17.3	16.9	16.7	16.7	16.1	12.5
Income retained	$ 53.5	49.1	40.6	9.3	(37.0)	13.3	9.6	8.8	25.0	24.4
Per Common Share										
Net sales	$ 97.80	82.59	65.53	56.57	51.55	53.28	46.77	46.60	47.56	49.66
Income (loss) before extraordinary item	$ 3.75	3.20	1.78	0.51	(1.08)	1.66	1.45	1.41	2.27	2.45
Dividends	$ 0.82	0.50			0.95	0.93	0.92	0.92	0.89	0.83
Income retained	$ 2.93	2.70	2.23	0.51	(2.03)	0.73	0.53	0.49	1.38	1.62
Equity	$ 28.69	25.77	23.09	22.19	21.68	23.72	23.02	22.49	22.00	20.09
Funds from operations	$ 6.05	5.28	3.36	1.84	0.12	3.55	3.17	2.88	3.70	4.05
Toronto Stock Exchange Quotations, High	$ 20⅜	26⅛	19⅝	13.00	16⅞	25½	24¾	27¼	37¼	36⅛
(Canadian Dollars) Low	$ 11½	15½	11½	5½	8½	15¾	14.0	15¼	20.0	27¼
Financial Condition										
Working capital	$ 501.4	438.7	349.0	335.2	291.3	330.4	331.5	327.2	337.6	254.6
Current ratio	$ 1.7	1.9	1.9	1.8	1.7	1.8	2.1	2.1	2.4	2.0
Additions to fixed assets	$ 110.2	59.9	28.4	27.0	42.9	38.4	30.6	49.2	47.0	43.5
Depreciation and amortization	$ 35.0	33.5	31.5	30.5	30.5	31.1	31.5	30.1	28.0	24.0
Total assets	$1,614.0	1,249.0	1,042.4	1,011.0	1,011.7	1,013.9	874.4	863.8	786.8	693.8
Asset turnover ratio	1.11	1.21	1.14	1.02	0.93	0.96	0.97	0.98	1.10	1.08
Liabilities and Shareholders' Equity										
Current	$ 721.2	499.9	410.1	402.4	442.0	427.6	301.7	293.7	242.3	254.8
Other	$ 369.2	279.2	212.1	204.9	175.2	154.8	155.4	162.4	145.6	136.7
Shareholders' equity	$ 523.6	469.9	420.2	403.7	394.5	431.5	417.3	407.7	398.9	302.5
Return on opening equity	% 14.6	13.9	8.5	2.4	(4.6)	7.2	6.5	6.4	13.6	13.6
Shareholders/Employees										
Employees	60,822	51,267	45,888	43,349	47,386	50,429	46,049	44,204	45,907	46,324
Shareholders	34,541	34,041	38,260	41,575	45,744	39,694	43,527	42,304	40,186	34,884
Shares outstanding (thousands)	18,248	18,236	18,195	18,195	18,195	18,195	18,131	18,131	18,129	15,059
As a Per Cent of Sales										
Cost of goods sold	% 77.5	77.5	78.4	79.1	80.2	77.3	76.9	78.3	77.5	78.0
Gross margin	% 22.5	22.5	21.6	20.9	19.8	22.7	23.1	21.7	22.5	22.0
Marketing, general and administrative	% 11.4	12.4	13.4	13.9	15.4	13.8	14.0	13.4	12.3	12.5
Engineering	% 2.4	2.2	2.3	2.4	2.8	2.5	2.6	2.7	2.3	2.4
Profit (loss) before taxes, etc.	% 5.5	5.9	3.6	0.9	(2.4)	4.1	4.2	3.8	6.1	5.3
Net income (loss) before extraordinary item	% 3.8	3.9	2.7	0.9	(2.1)	3.1	3.1	3.0	4.8	4.9
Per Cent Increase (Decrease) from Previous Year										
Sales	% 18.5	26.3	15.8	9.7	(3.2)	14.3	0.4	(2.0)	15.3	4.7
Cost of goods sold	% 18.5	24.9	14.7	8.4	0.3	14.9	(1.4)	(.9)	14.5	6.9

*Settlement accounting (see page 25) for 1972-74 only. It is not practicable to restate individual years prior to 1972.

(The above figures for 1965 to 1968 were originally reported in Canadian dollars and have been converted to U.S. dollars for comparative purposes. These figures and the trends indicated are considered to be accurate but the translation has not been subjected to external audit).

Sales Statistics

(Millions of U.S. Dollars)

		1974* % of Total	1974* Amount $	1973* $	1972* $	1971 $	1970 $	1969 $	1968 $	1967 $	1966 $	1965 $
Net Sales By Markets	**North America**											
	Canada	8.0	142.4	100.2	85.8	69.1	65.2	79.9	66.8	84.4	89.1	82.5
	United States	26.4	471.6	422.2	330.8	293.6	247.8	285.9	256.6	263.1	268.5	208.4
	Total	34.4	614.0	522.4	416.6	362.7	313.0	365.8	323.4	347.5	357.6	290.9
	Europe											
	United Kingdom	8.8	157.5	146.8	128.9	116.2	114.3	106.1	95.5	95.1	95.6	83.8
	France	8.0	142.4	137.4	119.2	95.6	88.5	110.7	93.1	89.0	95.3	85.9
	West Germany	4.9	88.0	102.6	62.4	56.4	57.8	47.5	35.6	28.8	43.1	42.7
	Italy	3.3	59.3	54.5	45.7	39.4	41.8	37.3	30.9	28.6	25.4	22.4
	Scandinavia	3.2	56.1	45.6	42.3	41.3	39.7	34.7	29.7	33.3	38.5	34.3
	Benelux	1.1	19.0	15.8	10.5	9.3	11.6	8.4	7.6	6.7	10.3	8.2
	Spain	0.9	16.7	10.2	8.3	4.3	8.1	9.0	4.1	5.3	4.4	3.3
	Austria	0.6	10.3	10.9	8.3	10.1	8.2	6.0	5.5	6.2	7.0	5.4
	Other	1.0	17.5	16.1	14.3	13.9	14.0	11.5	10.5	8.7	9.6	8.5
	Total	31.8	566.8	539.9	439.9	386.5	384.0	371.2	312.5	301.7	329.2	294.5
	Latin America											
	Brazil	11.9	213.3	164.5	121.5	76.4	58.8	43.0	38.0	20.5	24.4	19.4
	Argentina	2.9	51.1	29.2	15.5	10.1	9.6	3.8	2.2	2.9	1.6	2.1
	Mexico	1.1	19.0	11.3	11.5	11.5	11.7	11.8	10.3	11.8	9.6	7.5
	Other	1.8	32.7	23.5	15.9	21.8	14.7	11.5	10.5	7.5	9.8	9.1
	Total	17.7	316.1	228.5	164.4	119.8	94.8	70.1	61.0	42.7	45.4	38.1
	Africa											
	Rep. of South Africa	3.9	70.2	45.5	43.6	44.7	38.0	38.9	35.2	33.9	26.1	28.8
	Other	3.2	56.8	38.1	34.0	32.2	30.7	29.1	23.0	20.1	16.9	15.2
	Total	7.1	127.0	83.6	77.6	76.9	68.7	68.0	58.2	54.0	43.0	44.0
	Australasia	5.2	92.4	74.3	50.5	42.6	43.9	55.3	59.8	57.8	53.4	51.2
	Asia											
	Turkey	1.4	24.4	29.0	16.2	8.1	3.9	10.0	12.2	13.6	10.2	6.8
	Japan	0.7	12.5	7.7	6.5	7.4	5.4	4.3	3.3	3.2	2.5	1.6
	Thailand	0.3	5.7	2.9	1.5	3.0	2.2	3.1	2.4	2.2	2.5	2.2
	Pakistan	0.3	5.4	1.4	2.8	1.8	4.0	4.0	1.6	6.1	2.4	1.8
	India	0.1	2.1	1.6	2.5	6.4	3.1	1.9	1.3	2.0	3.5	4.6
	Other	1.0	18.2	14.9	13.9	14.1	14.9	15.7	12.3	14.0	12.5	12.2
	Total	3.8	68.3	57.5	43.4	40.8	33.5	39.0	33.1	41.1	33.6	29.2
	Total	100.0	1784.6	1506.2	1192.4	1029.3	937.9	969.4	848.0	844.8	862.2	747.9
Net Sales By Quarters—Ended	January 31	19.0	339.6	253.9	177.7	197.6	172.8	158.8	153.3	150.2	166.0	128.4
	April 30	24.4	434.1	359.2	287.8	256.4	249.7	248.2	224.3	248.4	244.0	178.6
	July 31	25.6	457.5	380.5	327.4	249.4	235.9	265.7	207.4	218.8	222.0	216.8
	October 31	31.0	553.4	512.6	399.5	325.9	279.5	296.7	263.0	227.4	230.2	224.1
	Total	100.0	1784.6	1506.2	1192.4	1029.3	937.9	969.4	848.0	844.8	862.2	747.9
Net Sales By Products	**Farm Machinery**											
	Tractors	37.8	674.4	575.5	474.2	396.0	331.0	339.6	317.8	335.6	359.9	294.1
	Grain Harvesting	13.9	248.3	202.6	143.3	128.0	99.4	148.4	135.6	140.6	145.7	131.5
	Hay Harvesting	2.2	39.6	37.1	28.5	29.3	26.1	30.1	26.2	27.2	32.1	32.4
	Other Products	8.2	146.8	115.0	79.3	69.4	62.2	66.5	64.1	68.5	63.6	61.4
	Total	62.1	1109.1	930.2	725.3	622.7	518.7	584.6	543.7	571.9	601.3	519.4
	Industrial & Construction Machinery	11.1	198.6	181.1	142.2	121.6	128.1	128.0	88.6	73.3	69.3	54.4
	Engines											
	Gross Sales	17.3	309.6	260.0	230.3	194.2	203.2	182.9	150.9	143.2	147.7	136.0
	Deduct MF	5.8	104.8	87.1	80.0	59.1	57.8	55.8	48.2	49.3	56.2	48.2
	Deduct Parts	2.6	46.6	39.2	32.6	28.1	23.8	22.2	18.1	15.4	15.3	13.3
	Total (Net)	8.9	158.2	133.7	117.7	107.0	121.6	104.9	84.6	78.5	76.2	74.5
	Parts											
	Farm Machinery	10.5	187.1	152.9	117.3	105.7	91.9	87.0	84.4	80.2	77.0	69.8
	Ind. & Cons. Machinery	2.3	40.9	32.0	25.2	16.6	16.4	14.5	9.5	7.0	6.7	6.1
	Engines	2.6	46.6	39.2	32.6	28.1	23.8	22.2	18.1	15.4	15.3	13.3
	Total	15.4	274.6	224.1	175.1	150.4	132.1	123.7	112.0	102.6	99.0	89.2
	Recreation Products	1.3	23.3	21.0	19.6	18.4	26.5	18.1	10.7	8.2	6.4	1.8
	Other Products	1.2	20.8	16.1	12.5	9.2	10.9	10.1	8.4	10.3	10.0	8.6
	Total	100.0	1784.6	1506.2	1192.4	1029.3	937.9	969.4	848.0	844.8	862.2	747.9

*Settlement accounting (see page 25) for 1972-74 only. It is not practicable to restate individual years prior to 1972.

Inflation and its Impact

During 1974, inflation increased dramatically and with it has come a growing realization that it cannot be cured by short-term measures. Economists have traditionally attributed inflation to excess growth of the money supply, but recently other long-term factors such as increasing shortages of food, energy and natural resources; the social demand for a progressively higher standard of living for a large portion of the world's population, particularly in the developing countries; and the deferral of capital investment in the productive capacity required to provide this higher standard of living, have added inflationary pressures. (See accompanying chart showing Rates of Inflation.)

The probability that inflation will continue at a level not far below today's high rates presents to industry a challenge to adapt to a new environment. The changes required are ones which are important to the shareholders and management of Massey-Ferguson and to the investing public. Some of the key factors are:

- Profitability
- Capital formation
- Floating exchange rates
- Inventory valuation.

Profitability

Because of inflation the level of profitability needed to maintain the financial health of industrial enterprises must be raised above the level that has been accepted traditionally. Each year, share capital and retained earnings are being devalued by inflation, and the capability to generate future profits with this devalued capital is thereby reduced. (See Erosion of Capital chart.) An industrial enterprise must, therefore, generate and retain sufficient earnings each year to maintain the true value of its working capital.

Another factor to be considered in assessing the impact of inflation on profits is the understatement of fixed assets and related understatement of depreciation. The accepted accounting practice is to calculate depreciation and amortization based on the original cost of assets rather than current replacement cost. The result is a lower depreciation charge and therefore higher profit than if the provision were designed to cover future replacement costs. A significant portion of this profit is paid in taxes which reduces the company's ability to maintain its assets. On the positive side the balance sheet does not reflect the enhanced earning power the company will enjoy in the future from the undervalued assets.

Capital Formation

The need to increase productive output as a means of combating inflation is today hampered by problems of capital formation that result not only from a very weak stock market but also from the application by lenders of conventional balance sheet ratios in establishing the "borrowing base" for an industrial enterprise. The validity of these conventional ratios is questionable because the net worth and fixed assets on which they are calculated are not adjusted to reflect the increase from historical cost base to current monetary value. Thus, the base against which an industrial enterprise is permitted to borrow is understated.

An industrial enterprise in today's environment faces a need for funds to finance the effect of inflation on its balance sheet, on its working capital, and on the replacement cost of its fixed assets. Until recently, the rate of inflation was such that the difference between "current" and "historical" value was not significant. If inflation continues at high rates for several years, however, the lenders' attitude to conventional ratios will have to be revised or alternative methods of accounting developed to value more properly the underlying assets against which short- and long-term lenders are advancing funds.

In recognition of this situation, Massey-Ferguson has negotiated with its long-term lenders revisions of its borrowing agreements which for the next four years raises the limit on the amount of long-term debt which the company may utilize. In addition, the shareholders of Massey-Ferguson Limited are being asked to approve the creation of preferred shares, a portion of which may be offered to the market in 1975 if conditions are appropriate. These two actions will permit the increased capital investment

needed to expand productive capacity for farm machinery, diesel engines and industrial and construction machinery, as well as long-term funds for acquisitions.

Floating Exchange Rates

Since 1971 many countries have permitted exchange rates to 'float' and there is now general acceptance of this method of adjusting relationships between currencies. While this method overcomes the crises that resulted previously from infrequent but major changes, floating exchange rates do present problems for multinational companies in valuing foreign investments.

In order to isolate its operating results from short-term swings in the value of its investments due to exchange translation, Massey-Ferguson excluded from its 1973 income statement the exchange gain on translation of $7.6 million. Consequently, its income statement showed only the result of operations, the gain on translation being carried as a deferral on its balance sheet. In 1974, a portion of this deferral has been used to offset a loss on translation resulting from exchange fluctuations in 1974. The net result has been to remove from both the 1973 and 1974 operating results the impact of exchange translation fluctuations and thus show the true results of the company's operations. (See Exchange Rate chart on page 34.)

Inventory Valuation

Massey-Ferguson values its inventories at the lower of cost or net realizable value. In practice, it is not feasible to identify precisely the actual cost of materials and labour in every item of raw material, every component and every product in inventory. The company therefore continues to use an averaging method which conservatively states the actual cost in inventory. Massey-Ferguson's method of inventory valuation is very similar to that used by other major corporations and is, in effect, a First-In-First-Out (FIFO) method of inventory valuation.

An alternative system of inventory valuation, Last-In-First-Out (LIFO) has been the subject of much discussion in recent months and is even advocated as the only method of inventory valuation that properly measures operating results of an industrial enterprise in that it matches current cost with current sales. While this may be theoretically accurate in respect of a single transaction, the LIFO method substantially understates the value of inventories over an extended period of time and thus materially understates an enterprise's net worth. In the few countries, including the U.S., where the LIFO method is acceptable for tax purposes, it permits an indefinite deferral of tax payments and consequently an increase in cash flow. In Canada, however, the LIFO method is not widely used for reporting to shareholders nor is it acceptable for tax purposes.

Where LIFO is accepted for tax purposes, the resulting improvement in cash flow helps to combat the effect of inflation on working capital. This problem was approached more directly by the recent U.K. budget which offered tax relief on inventory increases in excess of certain prescribed amounts. In some South American countries, monetary correction of assets is required on a formula basis, and direct tax relief helps maintain working capital.

Apart from the benefit of tax deferral, Massey-Ferguson believes that LIFO has no advantage over FIFO and that it has disadvantages in the calculation of profits in cases where increases in costs of material and labour and increases in the selling prices of products tend to move together at a steady rate. The need to isolate "inventory profits" arises primarily in those industrial enterprises that are subject to sudden major swings of value, such as the recent changes in oil prices.

Over the next few years the rate of anticipated change in the business environment and the erratic nature of the change will present Massey-Ferguson's management and the accounting profession with a major challenge to ensure that methods of reporting reflect operating results of the company in the most informative and consistent manner possible. This challenge can be met only by the development of new, sensitive and flexible rules that recognize unusual circumstances.

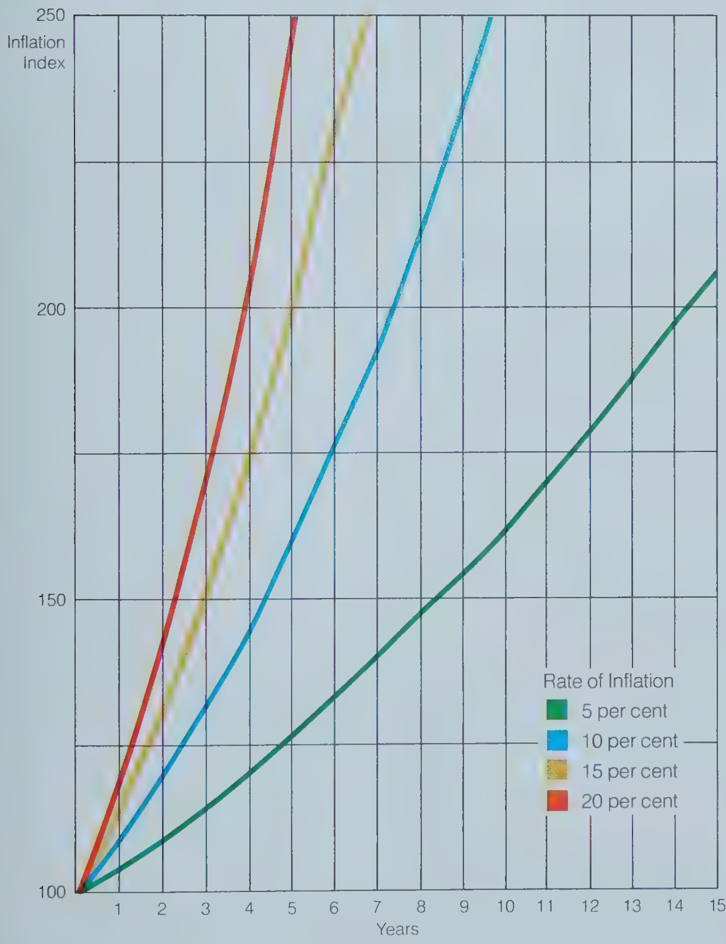
Erosion of Capital

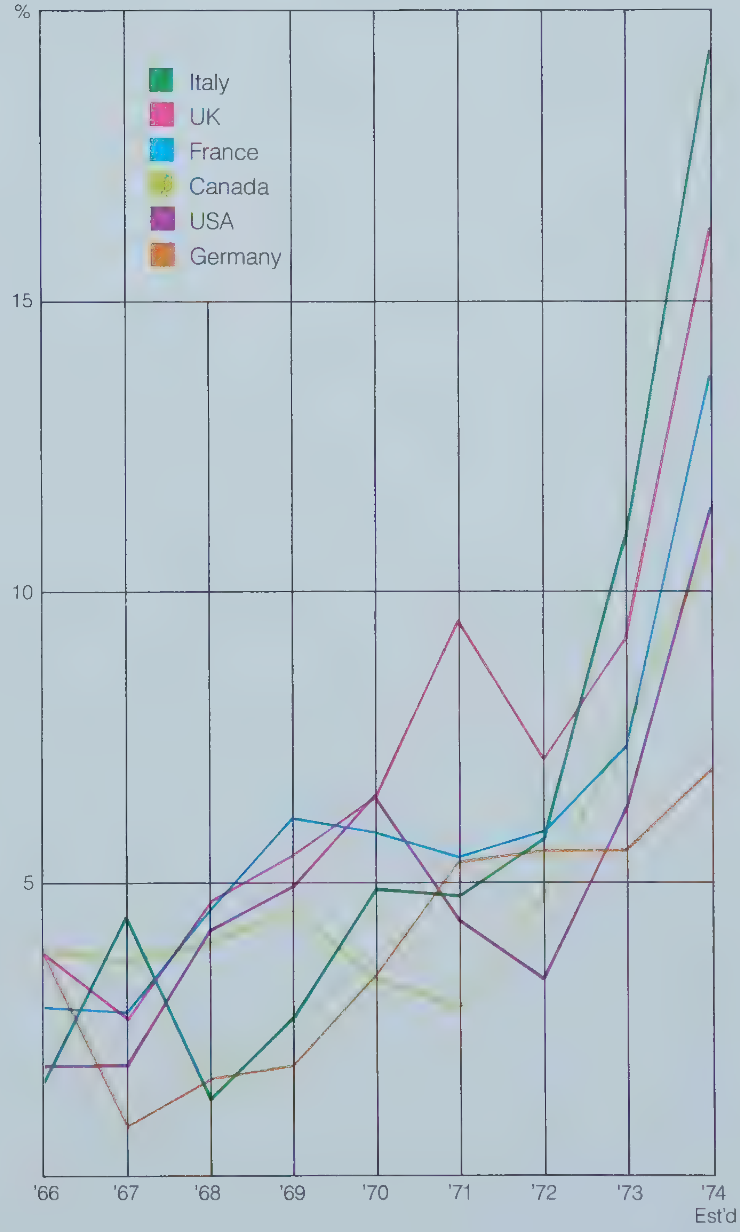
To illustrate the effect of varying rates of inflation on the capital. At 5% it would take 14 years for the price of goods to double (or for the value of savings to half). At 10% it would take slightly over seven years, at 15% five years and at 20% less than four years.

Rates of Inflation 1966-1974

(Based on Consumer Price Indices)

Rates of inflation show a similar pattern in all of our major markets—all increasing dramatically since 1972. Germany achieved the lowest rate for 1974 at 7.0%. Canada and U.S.A. have moderate rates—10.8% and 11.4%. UK and Italy have experienced strong inflation (16.2% and 19.2%). Brazil reduced its rate of inflation to 13% in 1973 but has now returned to 29%. Current estimates indicate a slight decline in most of these rates for 1975.





Factories – Products Manufactured

Farm Machinery and Industrial & Construction Machinery

Argentine
Rosario (215,000 sq. ft.)
Agricultural Tractors.

Australia
Bundaberg (150,000 sq. ft.)
Sugar Cane Harvesters; Cane Planters.

Melbourne (Sunshine) (1,544,000 sq. ft.)
Combines; Mowers; Drills; Hay Rakes; Tillers; Cultivators; Harrows; Plows; Post-hole Diggers; Jib Cranes; Multipurpose Blades; Scarifiers; Subsoilers; Transporters.

Brazil
Canoas (386,000 sq. ft.)
Combines; Plows; Disc Harrows; Planters; Rotary Cutters; Blade Terracers; Cultivators; Trailers; Seed Drills; Lime Spreaders; Transporters; Jib Cranes; Backhoes; ICM Accessories.

Sao Paulo (432,000 sq. ft.)
Agricultural Wheel, Crawler and Industrial Tractors.

Canada
Brantford (North American Combine Plant) (807,000 sq. ft.)
Combines; Combine Cabs.

Brantford (Foundry) (255,000 sq. ft.)
Castings.

Brantford (Implement and Machining Plant) (813,000 sq. ft.)
Plows; Harrows; Subsoilers; Mowers; Side Delivery Rakes; Tillers; Cultivators; Planters; Grain Boxes; Grain Drills; Combine and Tractor Components.

Cambridge (58,000 sq. ft.)
Castings.

Montreal (115,000 sq. ft.)
Wood Office Furniture.

Toronto (2,021,000 sq. ft.)
Balers; Pick-ups; Manure Spreaders; Forage Harvesters; Tractor Cabs; Combine and Tractor Components.

Waterloo (286,000 sq. ft.)
Steel Office Furniture.

France
Beauvais (918,000 sq. ft.)
Agricultural Tractors.

Marquette (1,123,000 sq. ft.)
Combines; Balers; Castings; Tractor Cabs; Components.

Germany
Eschwege (587,000 sq. ft.)
Roller Chain; Gearboxes; Gears; Hydraulic Cylinders; Combine Axles; Cast Iron and other Components.

Hanover (2,900,000 sq. ft.)
Wheel Dozers and Loaders; Crawler Tractors; Hydraulic Excavators; Compactors.

Italy
Aprilia (600,000 sq. ft.)
Wheel Loaders; Crawler Tractors; Hydraulic Excavators.

Como (115,000 sq. ft.)
Tractor Components.

Fabbrico (380,000 sq. ft.)
Agricultural Wheel and Crawler Tractors.

Malawi
Blantyre (12,000 sq. ft.)
Hoes; Animal Draft Equipment.

Rhodesia
Bulawayo (56,000 sq. ft.)
Animal Draft Implements; Hoes; Groundnut Shellers.

South Africa
Potgietersrus (202,000 sq. ft.)
Maize Harvesters; Wheat Tables; Maize and Bean Threshers; Peanut Pickers and Shellers; Trailers; Fodder Wagons; Plows; Earth Scoops; Subsoilers; Rippers; Hammermills; Fertilizer Spreaders.

Vereeniging (440,000 sq. ft.)
Tractor Accessories; Plows; Harrows; Cultivators; Tillers; Maize, Cotton and Peanut Planters; Toolbars; Earth Scoops; Subsoilers; Rippers; Multipurpose Blades; Combination Cutter Hammermills; Rotary Cutters; Hay Rakes; Graders; Grain and Fertilizer Boxes; Animal Draft Implements; Bulldozer Attachments; Agricultural Loaders; Buckets; Industrial Loaders; Dumpers; Trailer Containerization Systems; Tractor-Trailer-Transport Systems.

United Kingdom
Baginton (359,000 sq. ft.)
Tractor components.

Coventry (1,749,000 sq. ft.)
Agricultural and Industrial Tractors; Axles; Gearboxes; other Components.

Kilmarnock (800,000 sq. ft.)
Combines; Mowers; Tractor Accessories.

Knowsley (250,000 sq. ft.)
Industrial and Construction Machinery.

Manchester (511,000 sq. ft.)
4-Wheel-Drive Agricultural Tractors; Tractor-Loaders; Tractor-Backhoe-Loaders; Tractor Components.

United States
Akron (460,000 sq. ft.)
Wheel Loaders; Unitized Tractor-Backhoe-Loaders; Crawler Dozers and Loaders; Forestry Skidders; Backhoes; Loaders; Agricultural Tractor Components; Backhoe and Loader Mounting.

Des Moines (570,000 sq. ft.)
4-Wheel-Drive Agricultural Tractors; Corn Heads; Disc Tillage Implements; Lawn and Garden Tractors; Riding Mowers.

Detroit (North American Tractor Plant) (550,000 sq. ft.)
Agricultural and Industrial Tractors.

Detroit (Transmission and Axle Plant) (314,000 sq. ft.)
Tractor and Combine Transmission and Axle Components.

Kaukauna (267,000 sq. ft.)
Badger Northland Forage and Feeding Equipment; Solid and Liquid Manure Systems.

Wayne (170,000 sq. ft.)
Tractor Transmission and Axle Assemblies; Combine Transmissions; Hydraulic Pumps; Power Steering Pumps; Tractor Components.

Engines

Australia
Dandenong (16,000 sq. ft.)
Assembly of Industrial Diesel Engines; Engine Reconditioning.

Brazil
Sao Paulo (203,000 sq. ft.)
Diesel Engines.

Sao Paulo (97,000 sq. ft.)
Castings.

United Kingdom
Peterborough (Eastfield) (1,668,000 sq. ft.)
Diesel Engines.

Peterborough (Fletton) (136,000 sq. ft.)
Diesel and Gasoline Engines.

Peterborough (Fletton) (48,000 sq. ft.)
Engine Components.

Peterborough (Queen St.) (106,000 sq. ft.)
Engine Reconditioning.

Peterborough (Walton) (170,000 sq. ft.)
Engine Components.

United States
Wayne (250,000 sq. ft.)
Diesel Engines.

Germany
Hanover (250,000 sq. ft.)
Diesel Engines.

Associate Companies

Argentina
Perkins Argentina S.A.I.C. Cordoba (161,000 sq. ft.)
Diesel Engines.

Germany
Eicher GmbH, Landau (240,000 sq. ft.)
Tractors and Implements.

India
Tractors and Farm Equipment Limited, Madras (193,000 sq. ft.)
Tractors and Implements.

Italy
Simmel S.p.A., Castelfranco Veneto (380,000 sq. ft.)
Components for Crawler Tractors.

Beltrami S.p.A., Ravenna (110,000 sq. ft.)
Components for Construction Machinery.

Mexico
Massey-Ferguson de Mexico S.A., Queretaro (145,000 sq. ft.)
Tractors.

Naucalpan de Juarez (52,000 sq. ft.)
Tool Carriers and Attachments; Cultivators; Blades; Disc Plows; Harrows.

Motores Perkins S.A., Toluca (78,000 sq. ft.)
Diesel Engines.

Morocco
Comagi, Casablanca (38,000 sq. ft.)
Tractors.

Spain
Motor Iberica S.A., Avila (256,000 sq. ft.)
Vans.

Barcelona Main Factory (406,000 sq. ft.)
Tractors and Components.

Barcelona Free Port Zone (456,000 sq. ft.)
Trucks.

Barcelona Moncada y Reixach (178,000 sq. ft.)
Sheet-metal Components.

Ejea (83,000 sq. ft.)
Farm Machinery.

Madrid (113,000 sq. ft.)
Diesel Engines.

Noain (183,000 sq. ft.)
Combines; Farm Machinery.

Operating Companies

Argentina
Massey-Ferguson Argentina S.A.
Rosario
Compania Massey-Ferguson S.R.L.
Buenos Aires

Australia
Massey-Ferguson (Australia) Limited
Sunshine
Perkins Engines Australia Pty. Ltd.
Dandenong

Brazil
Massey-Ferguson do Brasil S.A.
Sao Paulo
Motores Perkins S.A.
Sao Bernardo do Campo
Progresso Metalfrit S.A.
Sao Paulo

Canada
Massey-Ferguson Industries Limited
Toronto
Sunar Limited
Waterloo
Kanmet Ltd.
Cambridge
Perkins Engines Canada Limited
Rexdale

France
Massey-Ferguson S.A.
Le Plessis-Robinson
Moteurs Perkins S.A.
Saint Denis

Germany
Massey-Ferguson-Hanomag Inc. & Co.
Hanover
Massey-Ferguson GmbH
Eschwege
Perkins Motoren GmbH
Kleinostheim

Italy
Massey-Ferguson-Landini S.p.A.
Rome
Massey-Ferguson ICM S.p.A.
Aprilia
Beltrami S.p.A.
Ravenna
Motori Perkins S.p.A.
Como

South Africa
Massey-Ferguson (South Africa) Limited
Vereeniging
Safim Manufacturing Limited
Vereeniging
Slattery Manufacturing (Proprietary) Limited
Potgietersrus
Perkins Engines (Proprietary) Limited
Johannesburg

Rhodesia
Rhoplow Limited
Bulawayo

Malawi
Agrimal (Malawi) Limited
Blantyre

United Kingdom
Massey-Ferguson (Export) Limited
Coventry
Perkins Engines Group Limited
Peterborough
Perkins Engines Limited
Peterborough
Massey-Ferguson-Perkins Limited
London
Massey-Ferguson (United Kingdom) Limited
Coventry

Eire
Massey-Ferguson (Eire) Limited
Dublin

United States
Massey-Ferguson Inc.
Des Moines
Badger Northland Inc.
Kaukauna
Perkins Engines Inc.
Farmington

Principal Associates and % Owned
Massey-Ferguson de Mexico S.A.
Mexico D.F.
Mexico
49%

Motor Iberica S.A.
Barcelona
Spain
37%

Tractors and Farm Equipment Limited
Madras
India
49%

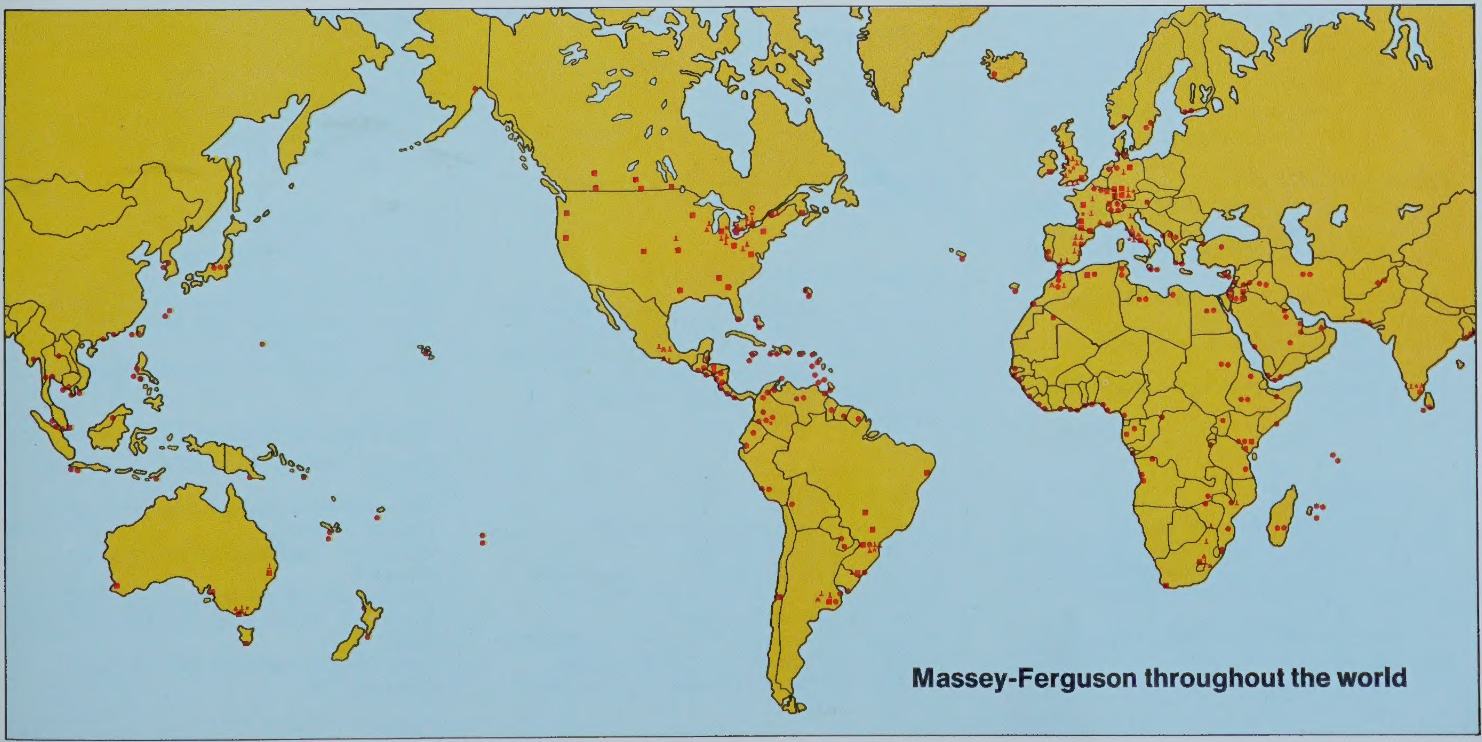
Simmel S.p.A.
Castelfranco Veneto
Italy
33%

Gebr. Eicher GmbH
Forstern
West Germany
49%

Comagi S.A.
Casablanca
Morocca
24%

Perkins Argentina S.A.I.C.
Buenos Aires
Argentina
26%

Motores Perkins S.A.
Toluca
Mexico
21%



Massey-Ferguson throughout the world

Directors' Affiliations

Albert A. Thornbrough
President and Chief Executive Officer
Massey-Ferguson Limited

Director and Member Executive Committee—Canadian Imperial Bank of Commerce.
Director—Argus Corporation Limited.

John A. McDougald
Chairman, Executive Committee
Massey-Ferguson Limited

Chairman of the Board and President—Argus Corporation Limited.
Chairman of the Board and Chairman of the Executive Committee—Dominion Stores Limited.
Chairman of the Executive Committee and Vice President—Hollinger Mines Limited.
Director and Member of the Executive Committee—Canadian Imperial Bank of Commerce.

The Marquess of Abergavenny
Director—Lloyds Bank Limited, Whitbread Investment Company Ltd., United Kingdom.
President—Royal Agricultural Society of England, 1967.
Deputy President—Royal Agricultural Society of England, 1972.
President—Royal Association of British Dairy Farmers, 1955 and 1963.

Alex E. Barron
President—Canadian General Investments Ltd., Toronto, Canada.
Chairman—Canadian Tire Corporation Limited.
Director—Argus Corporation Limited, The Canada Trust Company, London Life Insurance Co.

Henry Borden, Q.C.
Director—IBM Canada Ltd., Brascan Limited, The Huron & Erie Mortgage Corporation, Canadian Investment Fund Limited, Toronto, Canada.
Chairman—Canadian Boards, Norwich Union Insurance Societies.
Past Chairman, Board of Governors—University of Toronto.
Past President—Royal Agricultural Winter Fair, Canada.

Lord Crathorne
Privy Councillor—United Kingdom.
Minister of Agriculture and Fisheries, 1951-54.
Past Vice President—Council of Europe.
President—NATO Parliamentarians Conference, 1963.
Yorkshire Agricultural Society, 1967.
Honorary Member—Royal Agricultural Society of England.

Charles L. Gundy
Chairman—Wood Gundy, Limited, Toronto, Canada.
Director—Simpsons Limited, Simpsons-Sears Limited, Abitibi Paper Co. Ltd., Domtar Limited, Canada Cement Lafarge Ltd., Canadian Niagara Power Co. Ltd., Canron Limited, United Corporations Limited.
Hon. Chairman, Board of Trustees—Hospital for Sick Children, Toronto.
Member, Board of Trustees—Toronto School of Theology.

Gilbert W. Humphrey
Chairman—The Hanna Mining Company, Cleveland, U.S.A.
Chairman, Executive Committee—National Steel Corporation.
Director—General Electric Company, General Reinsurance Corporation, National City Bank, Cleveland, Ohio, Texaco Inc., Sun Life Assurance Company of Canada.

John D. Leitch
President—Upper Lakes Shipping Ltd., Toronto, Canada.
Director and Vice President—Canadian Imperial Bank of Commerce.
Director—Dominion Foundries and Steel, Ltd., Canada Life Assurance Company, American Airlines Inc., Maple Leaf Mills Limited, Canadian Oxygen Limited.

A. Bruce Matthews
Chairman—Canada Permanent Mortgage Corporation, Canada Permanent Trust Company, Toronto, Canada.
Executive Vice President and Director—Argus Corporation Limited.
Director—The Excelsior Life Insurance Company, Aetna Life & Casualty.

Maxwell C. G. Meighen
Chairman—Canadian General Investments Ltd., Toronto, Canada, Domtar Limited.
Vice President—The Canada Trust Company.
Director—The Algoma Steel Corp., Ltd.
Vice President and Director—Argus Corporation Limited.

John E. Mitchell
Executive Vice President Americas—Massey-Ferguson Limited.
Director—Farm and Industrial Equipment Institute, Iowa College Foundation, Iowa-Des Moines National Bank.
Director and Member Executive Committee—National Association of Manufacturers.
Member—Greater Des Moines Committee.

Sir Montague Prichard
Executive Vice President Engines—Massey-Ferguson Limited.
President—MIRA (Motor Industry Research Association, United Kingdom), 1971-73.
Trustee—British Industry Roads Campaign.
Member of the Council—British Road Federation.
Chairman—National Marketing Council, United Kingdom, 1964-71.
Fellow and Vice President—Institute of the Motor Industry (United Kingdom).

A. M. Runciman
President—United Grain Growers Limited. Winnipeg, Canada.
Director—The Great-West Life Assurance Company, Canadian Pacific Limited.
Member, Advisory Committee—Canadian Wheat Board, Crown Trust Company.
Honorary Member—Agricultural Institute of Canada, Manitoba Institute of Agrologists, Canadian Seed Trade Association, Canadian Seed Growers Association.
Member—Economic Council of Canada.

John G. Staiger
Senior Vice President—Massey-Ferguson Limited.
Chairman, Past President and Director—Farm and Industrial Equipment Institute.
Member, Board of Directors—Canadian Opera Company.
Member, Board of Trustees—Simpson College, Iowa Methodist Hospital.

E. P. Taylor
Chairman—The New Providence Development Company Limited, Bahamas.
Director—Argus Corporation Limited, The Royal Bank of Canada, RoyWest Banking Corporation Ltd., Trust Corporation of the Bahamas Ltd.
Chairman—The Royal Bank International Ltd., International Housing Limited.

Colin W. Webster
Vice Chairman—Canadian Fuel Marketers Ltd., Montreal, Canada.
Director—Sun Life Assurance Company of Canada, The Royal Bank of Canada, Pacific Petroleums Ltd.
Governor Emeritus—McGill University.

The Duke of Wellington
Director—Motor Iberica S.A., Barcelona, Spain.
Colonel Commanding—The Household Cavalry, 1959-60.
Governor—Wellington College, United Kingdom.
County Councillor—Hampshire, 1967-74.
Colonel-in-Chief—The Duke of Wellington's Regiment.
Hon. Colonel—2nd Bn. The Wessex Regiment (V).

Transfer Agents

National Trust Company, Limited
Toronto, Vancouver, Winnipeg

Canada Permanent Trust Company
Montreal

The Canadian Bank of Commerce
Trust Company
New York

The British Empire Trust Company,
Limited, London, England

Registrars

Crown Trust Company
Toronto, Montreal, Winnipeg, Vancouver

Morgan Guaranty Trust Company
of New York
New York

Lazard Brothers & Co., Ltd.
London, England

Stock Exchanges

The common shares of Massey-Ferguson Limited are listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada, on the New York Stock Exchange in the United States and on the London Stock Exchange in England.

These shares have unlisted trading privileges in the United States on the Midwest Stock Exchange in Chicago, the PBW Stock Exchange, the Boston Stock Exchange and the Pacific Coast Stock Exchange. The shares are also traded on the Amsterdam Stock Exchange in the form of Dutch Bearer Certificates.

Printed in Canada

Farm Machinery

Industrial and Construction Machinery

Engines